

JPRS-EER-91-036
22 MARCH 1991

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JPRS Report

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BULGARIA

BZNS-NP Chairman on Agricultural Policy

91BA0209A Sofia OTECHESTVEN VESTNIK
in Bulgarian 12 Dec 90 pp 1-2

[Interview with Milan Drenchev, leader of the Nikola Petkov Bulgarian National Agrarian Union (BZNS-NP), by Lyugen Genov, OTECHESTVEN VESTNIK chief editor, and Khristo Karlukovski, reporter; place and date not given: "Milan Drenchev Tells OTECHESTVEN VESTNIK BZNS-NP Pursues No Sharecropping Policy; Bulgarian Agriculture Must Be Rehabilitated in Shortest Possible Time"]

[Text] The BZNS-NP [Nikola Petkov Bulgarian National Agrarian Union] leader has already expressed his position toward Dimitur Popov's candidacy. Therefore, the interview conducted with him by OTECHESTVEN VESTNIK Chief Editor Lyuben Genov and reporter Khristo Karlukovski gives Milan Drenchev's stand on a number of other questions in our sociopolitical life.

[OTECHESTVEN VESTNIK] What is your explanation of the Grand National Assembly's present inactivity?

[Drenchev] I do not think the inactivity is accidental. This is simply an error of the opposition that the government and the BSP [Bulgarian Socialist Party] parliamentary faction have taken advantage of. For this reason, many questions that should have been solved by now have been postponed.

Why do I say "error of the opposition"? Because the opposition opened up the opportunity through interminable debates over agenda and over insignificant wording of not particularly significant laws for valuable time to be lost. Instead of this scuffling, we should by now have completed a great deal of work. The course that is now being laid out in the Grand National Assembly is the course that we urged as early as 17 June at the time it opened. May I venture to point out that my speech on the opening of the Grand National Assembly took this position?

What, in my opinion, should have been the focus of the parliament's present work? First and foremost, formulation of the new constitution; after that, formulation of the necessary laws guaranteed by the wordings of the new constitution. What are these laws? First, the land law. Its priority is not accidental. Preconditions for it are the catastrophic state of agriculture today, and, hence, the catastrophic state of the economy. We have to adopt an agrarian law without having a basis for it. The danger of erroneous formulations in such a situation is real, while the consequences of erroneously embedded wordings will be atoned for years.

One more word on this matter. It is impossible to have a stable national economy without a stable agriculture. It is obvious that, despite the present food shortage, the

country is compelled to export, first and foremost, food products or agricultural raw materials so as to import vitally necessary products such as petroleum, for example. That is why I say "national economy" because the processes beginning with agriculture extend, via economic structures, to the individual, to the entire people.

In these difficult times, it has been made clear for the nth time that Bulgarian agriculture alone is the guarantor for imports of the raw materials and goods that we vitally need. From this, what conclusion is inescapable? *Rehabilitation of agriculture in the shortest possible time.*

[OTECHESTVEN VESTNIK] What forces and interests collide in the territory delineated by the Law on Land and Property?

[Drenchev] The question is difficult because the law is difficult from a legal standpoint. But it is difficult also because it cuts different interests into different political forces in our country. Regarding the main question—whether the former owners should receive their land—I think that the BSP will not oppose this. But there are other obstacles. For example, how far back should the right of land ownership extend? Should the owners who have received their land be able to dispose of it as a privately owned thing?

As a political organization, we proceed from the principle that the land should be tilled, should bear fruits. Shall we permit separation of land ownership from its cultivation? Shall we open up the possibility of an increase in the area of deserted lands? Hence, it follows that the law must incorporate a guarantee that the land must be effectively cultivated by its owners. The question of leasing also arises in all its seriousness. Our apprehensions on this score are that one person leases another's land in order to cultivate it.

[OTECHESTVEN VESTNIK] This is the well-known sharecropping principle....

[Drenchev] Yes, our people call leasing sharecropping. But let us continue our reasoning. If a tenant farmer leases land from the owner for a year or two or five, he has one sole aim—to make a profit from the lease. What are the most direct ways to a profit? They are all-out applications of chemicals. For a few years, the tenant farmer will obtain yields that meet his interests, but society as a whole will lose. The consequences of the lease will be chemically poisoned lands and products that, under currently operative monitoring, cannot be sold in foreign trade outside the country. What society would agree to this kind of economic scheme?

Another question is whether the owner will have the right to sell his land and who will buy this land. In our opinion, whoever has money will buy land. He will want to invest in land. It is known that interest on land is the most highly secured interest on cash. Once he becomes an owner, the purchaser will offer the land for sale. We

cannot permit land to become an object of speculation. It is known who has money today. It is also known that he will not cultivate the land.

[OTECHESTVEN VESTNIK] It is known that there is a lot of thievery in agriculture today. What is your opinion regarding eventual resistance against these people who have grown accustomed to stealing from society?

[Drenchev] Let me answer with a fact from the days before the elections. Our political campaigners kept saying at rallies that the land would be returned to its owners. At one of the rallies, someone stood up and said, "We will not vote for you. If the land becomes private, where will we steal from?" The unfortunate truth is that, for many years, stealing has been accepted as normal in agriculture.

In my opinion, at this point the following processes are unfolding. Some people will acquire land and become private farmers. Others will want to remain on the TKZS's [labor cooperative farms] and continue cultivation on cooperative principles. It is precisely the private farmers and the future cooperators who can be obstacles to thieves. The new configuration of private interests will eradicate the stealing. Of course, this is not going to happen all at once. The process will be difficult and protracted.

[OTECHESTVEN VESTNIK] The BZNS-NP has given partial assessments of the political crisis in our country and of the forms through which it is passing. What is your opinion about the role of the trade union organizations during the recent strikes and their attitude toward the government?

[Drenchev] You are right in your phrasing "partial assessment." We supported the student strike, but we could not make a public declaration supporting the occupation of the higher educational institutions. I met with the students at the request of the strike committee. I asked them, "Are you boycotting classes or occupying the educational institutions?" To my surprise, during these meetings I came to understand that few of the students supported the occupation. I told the ones I talked with that this divergence showed a lack of a unified position. I told them also that we supported the strikers' demands, but, regarding the occupation, we were of a different opinion.

I think that every extreme measure has to be discussed carefully in advance because, behind its extreme form, serious danger lurks.

With regard to the Podkrepa Trade Union and the Independent Trade Unions, we believe that their main function is to defend the social demands of their members, but, when trade union demands spill over into political demands, attention must increase manifold. We were headed in the same direction as the trade unionists' demands, but I fear lest these demands grow into clashes because nobody would forgive any political force whatsoever in Bulgaria, including the BZNS-NP, if

blood were shed. My fears are founded on the following: Under the banner of trade union demands, just in their essence, there were arrayed forces and groups of people who might in their own interest provoke disorders.

I think that the barricades at the main intersections were farfetched, too. With my own eyes I saw mothers and little children left to the mercy of fate because of the lack of transportation. These excesses caused us to refrain from holding rallies as a party.

[OTECHESTVEN VESTNIK] Did you have information that, during the crisis in the capital, some forces had suggested summoning groups from the provinces for assistance?

[Drenchev] I heard about this during the strike. I heard it on the spot where responsible people were present. They declared that this should by no means be permitted. Therefore, I did not agree with the extreme demands of some schools of thought in the opposition. The BSP feared excesses in the capital. This is the reason that gave rise to the idea of moving our adherents into the capital. If this had happened, things would have become complicated.

[OTECHESTVEN VESTNIK] What, in your opinion, must be undertaken in order to rehabilitate Bulgaria's international prestige? What is the BZNS-NP's position on this question?

[Drenchev] Our position is unchanged. We have always defended the thesis that Bulgaria should proceed economically and politically toward democracy. The world should believe us that, albeit not very speedily, the preconditions for a democratic society are being established in our country and that our people are consolidating around the principles of democracy. It is a shame that this is taking place slowly.

I suppose that in the BSP there are forces that recognize that it is precisely the party that is delaying these processes. Reform-inclined party workers want to speed up the democratization process, but there are also conservatives who do not want this speedup, perhaps because they fear the eventual consequences for themselves personally.

I am convinced that, in the renovated—in the new—BSP, there are democrats who place the interests of Bulgaria above narrowly partisan interests. When they come to the fore, world confidence in Bulgaria will change.

[OTECHESTVEN VESTNIK] You stated recently that the BZNS-NP would not participate in the government regardless of its character. What are the grounds for this decision?

[Drenchev] We have never thought of participating in a coalition government. This is our political line. You probably remember that, during the elections, certain forces in the SDS [Union of Democratic Forces] asserted

that they would never participate in a coalition administration of the country. They were sure that the SDS would win the election by a large majority, and, at that time, I said, "Even if the SDS has a majority, it can hardly—if there is a strong socialist party—administer the country without it."

The BZNS-NP will not participate in the future government regardless of the configuration of forces in it. Our programs and ideas cannot be applied in a transition government. We will support the programs and actions of this government when they lead toward direct democratization of the society and toward putting the national economy on the right track as regards the market.

[OTECHESTVEN VESTNIK] Obviously, you are supporting without participating?

[Drenchev] We will support the government by all parliamentary means. We want a speedy formulation of a constitution, a vote on the fundamental laws, and the holding of obshtina elections. In our opinion, the shorter the mandate of this Grand National Assembly, the better. This, to a great extent, will depend on the work of the future government. Therefore, we will support it.

[OTECHESTVEN VESTNIK] What, in your opinion, are the strategic designs of the BSP?

[Drenchev] For my part, it is clear that the BSP is doing everything possible to remain on the political scene as a party that is changed, more democratic and rid of many details of the past that are objectionable. There is hardly a BSP member who is not convinced of the necessity for structural changes in the BSP. We are witnesses of the efforts of BSP workers, who have succeeded in inspiring the change in the name of the newspaper and, in large measure, have also brought about a change in the tactics of the party itself. This, in my opinion, is the main thing that disturbs the mass of BSP membership and the leadership today.

[OTECHESTVEN VESTNIK] Do you think that the SDS workers by their actions are helping the BSP?

[Drenchev] I think that the tactlessness and the ill-judged and maximalist demands of some SDS workers compelled the BSP to find unification formulas in the face of the danger of a splitup. Let me expatiate. Historical experience shows that, when a people is threatened by an external peril, all political forces, social formations, and schools of thought unite in behalf of the national interests for protection of the fatherland. This is what happened with the BSP—after various groups formed that were ready to repudiate all the party leadership directives and to adopt a real democratic position, and after several erroneous steps of the SDS, they changed their tactics, and a unification of forces in the BSP was felt.

[OTECHESTVEN VESTNIK] Do grounds exist for dissolution of the Grand National Assembly? Is this a way out of the present situation?

[Drenchev] For my part, this not only is frivolous but, God forbid, should it happen, would also be a tragedy for our people and country.

Why? A parliamentary crisis today will accelerate the collapse. Project against this background the efforts and campaigns to prepare for the new Grand National Assembly elections and you will be convinced of the foolishness of such a step. For my part, there is only one way: effective legislation, a new constitution, obshtina elections in the spring—at the latest in June—and elections for an ordinary National Assembly. Anything else is frivolous. No sound forces will be found that will support dissolution of the Grand National Assembly.

[OTECHESTVEN VESTNIK] Members of the BZNS-NP are taking part in the work of the Fatherland Union. Your assessment of this fact?

[Drenchev] This is a question of concrete cases and concrete personalities. If in a given settlement the Fatherland Union demonstrates by its activity that it has broken with the past and is solving citizens' problems in a new way—democratically—I personally think that the organization should be supported. The past of the Fatherland Union, the Fatherland Front, is onerous and, notwithstanding that the union has dissociated itself from its past, many people are on their guard when its initiatives are to be supported. The present Fatherland Union is intelligent and makes a sensible approach as dictated by the new circumstances in society.

[OTECHESTVEN VESTNIK] Is there any news about unity of the two agrarian unions?

[Drenchev] Let me speak forthrightly. Our partners from the official BZNS [Bulgarian National Agrarian Union] are used to power from the past and cannot reconcile themselves to the thought that they will not have it again. The BSP no longer has power and is not an umbrella under which agrarian workers always keep dry. The opposition now figures in the calculations of these workers. They think that, in the future, the opposition will have power, and, therefore, they have attached themselves to it. Direct your attention to the attacks on their former ally. Both in parliament and in the mass information media, the BZNS-NP workers are more moderate in their criticisms of the BSP, whereas the official BZNS accusations against the BSP are clearly measurable. For those engaged in politics, such conduct is comprehensible.

CZECHOSLOVAKIA

Thoughts on Postwar Armaments Industry

91CH0371A Prague RESPEKT in Czech 17 Feb 91 p 5

[Article by Alfred Vogel: "Czechoslovakia and Trade in Arms"]

[Text] Unless the conflict in the Persian Gulf takes an unexpected turn, talks on a new security system for the Near East will take place soon after that conflict ends.

Just a few days ago James Baker proposed that the talks include also the control of arms deliveries to the region. That proposal should be welcomed because it concerns a matter of primary importance. For already today countries and regimes are being armed which are not being regarded momentarily as the world's No. 1 empire of evil, but the possibility of their becoming that empire in the future cannot be excluded entirely. Especially not if they will have been armed to the teeth. It is naive to assume that anything will improve in the region, without new international conventions and an effective system of control. These circumstances affect Czechoslovakia as well. We, too, are now negotiating arms sales to Iran, Saudi Arabia, and Egypt. Our contacts with Syria and Libya have been revived. It can even be said that for us the question is doubly urgent, because we lack explicit domestic legislation regarding such trade as well as effective control over it.

Trade in arms is the monopoly of OMNIPOL, which is directly subordinate to the Federal Ministry of Foreign Trade. None of our representatives or authors of reform has yet provided a satisfactory explanation as to why the bill on liberalizing foreign trade has still not been placed on the Federal Assembly's calendar. Recently the Presidium of the Federal Assembly has again postponed deliberation of the bill. Perhaps that can only be interpreted to mean that the hands of the mafia from the foreign trade enterprise and the ministry reach this far. For this completely defies common sense and the spirit of the reform.

Until recently, OMNIPOL's Department of Trade Policy was under the direct "policy" guidance of the Ministry of Foreign Affairs. Of course, this policy oversight is not clearly defined by legislation, but that was the model followed in practice up to now. Top officials of OMNIPOL and of the Ministry of Foreign Trade do meet for consultations on some contracts (at the Ministry of Foreign Trade and even in the Castle, rather than at the CPCZ Central Committee), but the rub is that this happens only in the case of some contracts. Moreover, they consult with someone else on each occasion, in accordance with what happens to be convenient for them. For instance, Deputy Foreign Minister Martin Palous, who now oversees trade in arms, says: "I find that most OMNIPOL contracts so far are baffling."

That poses a further danger for us. In view of the current developments in the Soviet Union, is it not too risky to permit the operation on our territory of an enterprise that is the fifth column of the KGB?

Then how do things stand with the enactment of new legislation? It seems that certain political circles have an interest in maintaining OMNIPOL's monopoly as long as possible, primarily to prevent Slovak attempts to trade in arms on Slovakia's own account. The Slovak

Government, which ought to be bearing the main burden of trying to convert [military industry to civilian production], has indicated repeatedly that it does not intend to honor the federal government's efforts to limit arms production and to control arms sales. For instance, the Slovak Government recently signed letters of intent to export to Saudi Arabia. Some representatives of federal agencies fail to understand why a Federal Ministry of Foreign Trade should exist at all, if its policies are to be disregarded even in the sphere of trade in arms.

The tensions within the federation are thus reflected even here. Although the Federal Ministry of Foreign Trade has already drafted a bill on so-called "special goods," there is again a political effort to hold up consideration of the bill, for fear of further battles in the parliament over competence.

Slovak efforts to sell arms independently should not be regarded as further manifestations of nationalism or of a desire to secede. Many Czech enterprises, too, would prefer to sell such goods independently. The problem lies elsewhere. A strong institution of control, with close links to the Ministry of Foreign Affairs, Ministry of the Interior, Ministry of Defense and to the parliament, ought to be established urgently. From the viewpoint of trade, moreover, that institution ought to be impartial. It could even be established on the basis of a provisional decree, until the necessary legislation is enacted.

Some wags claim that the present period could be called the period of "reconversion." If there is still any talk of conversion, it is motivated primarily by economic considerations. A certain outlook for the next few years is emerging even for the sale of tanks, although they certainly are not promising arms for the long term. (It will be appropriate to rectify a recent statement made by Karl Kriz. From an economic viewpoint, he thinks it is absurd for Czechoslovakia to be destroying tanks in compliance with international conventions, while at the same time it is manufacturing tanks. But the [CFE] Treaty bans the sale of the tanks whose destruction has already begun in compliance with the treaty.)

There is considerable confusion over trade in arms. Our present leadership is hesitating about which countries to supply with arms, and which ones to refuse. It is often unclear to the leadership where the economic benefits outweigh the political consequences and moral scruples, and it frequently comes to a dead end. For example, further arms sales to Libya have been authorized and have even been granted a seal of approval, in the form of a visit there by Wagner, the president's adviser. On the other hand, the sale of spare parts for tanks, and of ammunition, to Israel has been turned down. Should we trade or not trade with Syria, which owes us \$1.2 billion? How to reply to inquiries from Iran, which holds out the promise of oil deliveries? It has not been decided how to respond, for instance, to the activity of Israeli trading firms in this field. One of them wants to act as our agent in selling 80 of our tanks to Ethiopia; another one, in selling L-39 aircraft to Thailand.

Explicit legislation and a controlling agency, then, are essential. What we need to do first of all is as follows:

1. To ensure that no opportunity arises to manufacture weapons whose production is banned by United Nations-sponsored conventions.
2. To control as strictly as possible the sale of heavy offensive weapons, if their export is truly so necessary for economic reasons.
3. To start out from a list of countries to which arms sales are banned, and to update that list as flexibly as possible, in accordance with how the international situation develops.

Campaign for Independent Slovak State Rejected

91CH0388A Prague RESPEKT in Slovak 20 Jan 91 p 8

[Article by Boris F. Lazar: "Rambling Musings About Statehood: The Breakup of Czecho-Slovakia"]

[Text] Today there is only one internal political question that warrants attention: the question of statehood. We are therefore asking ourselves whether we want to live in a Czechoslovak or in a Slovak state. Today's Czecho-Slovakia is a makeshift arrangement without prospects for the future, and it must come to an end. Personally I never experienced any other state, for 40 years it was a matter of indifference to me, but today I feel as if all of us were losing a child. There is something frightening in this: 15 million Czechs and Slovaks are losing their state, which not only had no time to mature, but even had no time to be born to freedom.... It is not a pretty picture.

We cannot preserve the Czecho-Slovak state as a "marriage of convenience" because of the simple fact that there are no rational arguments which could influence the Slovak or Czech nationalists, and, moreover, rational criteria cannot be the only basis for a relationship between two entities. The most often used arguments, that Europe—and the civilized world generally—does not want the breakup of Czecho-Slovakia, are neither rational nor ethical. All arguments of this kind are only forcing coexistence on us again, the nation again features in this only as an object and not as a subject which accepts decisions from the depth of its own free will.

I am saying "will" and not "reason" because it is the inalienable right of a subject to make even a decision that is contrary to rational thinking, nota bene a thinking that for the time being gives only very weak proof of its rationality. And when in the relationship of two entities one says "yes" and the other "no," then the "no" applies, because preserving free will is the highest ethical principle. There are situations where no middle road exists, and our question of statehood is such a one.

New Agreement

If we want to live in a free state, then we need a new agreement which must go deeper than a distribution of jurisdictions. The basic clause of this agreement must

express the reality that we understand the relationship between the Czechs and Slovaks as *Schicksalsgemeinschaft* [common fate], that is, that we want to share our fate, good and bad.

There is no agreement that would bring the contracting parties only advantages. The first disadvantage of the new agreement will be the fact that we shall have to give up any thought of a backdoor entry to a Slovak state, otherwise we shall not convince either our partners, or ourselves, that we are serious about it. Therefore, not only can there be no consideration of introducing into the national constitutions a clause that would give either the Slovaks or the Czechs the right to leave the federation at any time, but on the contrary, the Czech-Slovak constitution should contain a clause, similar to Article 48 of the constitution of the German Federal Republic, which makes it possible in case of need to outlaw any radical political party whose program is to destroy the state. This article was adopted on the basis of experiences with the Weimar Republic. The fathers of the German constitution took into account one of the experiences of the Weimar Republic that is very much to the point for us as well: If a nation, which does not have democratic principles ingrained in it, has to choose between two bad alternatives—chaos or totalitarianism—then it will choose the second alternative even in time of freedom. The instinctively felt possibility of a new totalitarian system does not have its origin in today's parties, whose programs are more amorphous and confusing than totalitarian, but in the suspicion that the entire situation can lead to turmoil, out of which the only way out would be a dictatorship.

We cannot have a Czecho-Slovak state and at the same time dream about a Slovak state. We must make a decision. The word "democracy" means "government by the people," that means, a constitutional structure in which it must be possible to govern. In today's Czecho-slovak state it is impossible to govern. A state, which allows itself to have a parliament where one tenth (!) of the deputies is enough to block constitutional laws, is predestined to extinction. There is something very true in the criticism of Slovak nationalists that it is impossible to guarantee the rights of the minority if the rights of the majority are not guaranteed.

Abominable Society

Nationalism is not a felonious fabrication of power-hungry individuals, but a genuine expression of a post-totalitarian society that is feeling the most profound of all imaginable fears—fear of its own extinction. The words about the desolation and isolation of Slovak solidarity cannot be laughed at. This solidarity is desolate because the "fight of everyone with everyone" (Zinovjev) is continuing within it, and it is isolated because it lacks any credible expression of its own identity from which it could proceed. Berdajev said about the Communists: "They are abominable, and their problem is that they themselves are unable to think about themselves other than as abominable." This is also

the problem of the postcommunist society: It consists of individuals who are all distancing themselves from it. Our hypercriticism is not an expression of objectivity, but the expression of an effort to escape a common fate, a banal hope that somewhere there is a hole after all in which it will be possible to hide even if on the outside everything turns to shambles. A society that holds itself in contempt is abominable, and there is in fact nothing else that can be said about it. Nationalism is the expression of despair of such a society, an outcry which integrates the atomized and in the coming civilized world defenseless individuals, it presents at least the possibility of experiencing common misery.

"We shall indeed rather live with hunger," writes NOVY SLOVAK, "but we shall do things our way." "I do not know what to believe," is the sum of all the scribble of the gentle nationalist Andrej Ferko. Slovak nationalism is defenseless and at the same time aggressive toward those even more defenseless, it is populist as well as fascistlike. It is becoming fascistlike thanks to the intellectuals: racial intolerance, anti-Semitism, megalomania, and cultural complexes, a truly panicky fear of the world—all these are not the characteristics of the Slovak people but of the so-called Slovak national intelligentsia, a consciousness which will not survive a confrontation with European consciousness, and for which the road to isolation is the only salvation.

Failure of the Elite

Today's state of disintegration of Slovak consciousness is not the failure of the Slovak people but the failure of the Slovak cultural elites, their fatal inability to think in the global dimension, and their romantic and distorted view of the world. The fact that the babble of the Slovak Ludak [members of former Hlinka's People's Party] emigres, which in 40 years literally nobody in the world took into account, became the key program for Slovakia at the turn of the century, is literally astounding. The possibility of a resurrection of a clerical-fascist Slovak state conjures up in 1990 a downright surrealistic vision: Osviecim in Kocurkovo. Can there be something more vulgar than Morica's concept of an "American Slovakia"? "A Slovak thinks with his heart," proudly proclaims NOVY SLOVAK.

Refugees and Gastarbajtri [Guest Workers]

Not all Slovaks long to starve in their native land. Prostitutes, health care workers, nurses, pharmacists are leaving the country.... In fact everyone who can. Our girls, as we read in government newspapers, are the least expensive, with the exception of Romanian gypsies, in all of the Eastern bloc. It is even hard to call it prostitution; prostitutes are concerned about money, they think with their heads not with their hearts. It is not known with what the Slovak engineers and enterprise managers think, those who are giving vitally important data to the West about their enterprises, quoting prices which astound the managers there.

All Slovak politicians agree that the most important Slovak problem today is the national problem. I am sorry, but this analysis is wrong, even at the ideological level on which the overwhelming majority of Slovak politics is played out, magnanimously excluding the social and economic problems which threaten collapse.

The achievement and meaning of today's civilization are human freedoms and rights, which supersede any concepts of national self-determination. In the civilized world there remains only one area for the realization of national identity: culture. If the Slovak state does not give its citizens more rights and freedoms than the Czecho-Slovak state, then from the point of view of the civilized world it has no claim to existence. And here is the fundamental difference between the breakup of Czecho-Slovakia and the breakup of the Soviet Union: The newly emerging states in the Baltic region are coming into existence on the basis of European traditions, in the name of European freedoms and rights—not as an attempt to rehabilitate fascist tendencies.

At one session of the Bavarian CSU [Christian Social Union] in Munich there was a resplendent sign: Our native land—Bavaria, our fatherland—Germany, our homeland—Europe. For an overwhelming majority of Slovaks the concept of Europeanism is too abstract and remote, and, moreover, a Slovak "thinking with his heart" has the feeling that it is being used against him. The possibility of understanding Europe as one's homeland is today for more than 320 million Europeans already a banal reality: It means work permits for the entire area of the European Community and the possibility to live in any of the countries of the EEC, whether temporarily or permanently. This is precisely what we should be concerned about—that at least our children could live anywhere in Europe not just as political refugees or guest workers. Only thus will they be able to preserve Slovakia as their native land. Are we willing to risk the future of our children just for the sake of our own chair in Strasbourg? Do Slovaks really think that they will get that chair when the Bavarians, the Flemish, the Walloons, the Basques, the Welsh, and the Scots did not get it?

The Kurdish Alternative

There is no symmetry between the Czechs and the Slovaks on the road to civilization and Europe. The Czech road certainly does not lead through Slovakia, but no way will the Slovaks get to Europe by leaping over Vienna, Budapest—and most of all over Prague. This statement does not need any substantiation, it is enough to look at the map.

We must clearly understand that Europe is not forcing on the Slovaks its concept of values, and that today the Czechs are no longer forcing on us a common state. If we wish to participate in one or the other we shall have to try and do our darnedest to that end, while at the same time our starting position is substantially worse than it was a year ago. The paradoxical consequence of Slovak

nationalism is the reality that the room for maneuvering has narrowed down for Slovak nonnationalist policies. The Slovaks are marching forth toward an uncertain future, watched by no longer sympathetic, but hostile or at best indifferent, eyes from the West.

The euphoria about a Slovak state should not prevent us from considering also the possibility of a Slovak Munich, at which the Europeans will one day determine the borderlines of this state. By the way, we are not choosing from two alternatives only. There exists also a third one, which Andrej Ferko perceptively called the "Kurdish alternative."

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Historian on Political Traditions of Great Moravia

91CH0363A Prague PRITOMNOST in Czech No 1, 1991 pp 16-17

[Article by Dusan Trestik: "Great Moravia: The First Common State of Czechs and Slovaks?"—first paragraph is PRITOMNOST introduction]

[Text] The author, Dusan Trestik, born 1933, works in the Historical Institute of the Academy of Sciences, specializing in the early history of Bohemia and Central Europe. He has published works on the Cosmas Chronicles, and together with A. Merhautova, treatises on Romance art in Bohemia and Moravia (1983). He is presently working on a book dealing with the genesis of the Czech state.

"Great Moravia was the first common home of the ancestors of Czechs and Slovaks," says the well-known formula, in an effort to highlight this political entity in the history of the two nations. Yes, we are quoting from the preamble of the "Gottwald" Constitution of 1949, which was intended to justify the centralist trend in the republic. Such interpretation of the Great Moravian phenomenon had become one of the "progressive traditions" in Zdenek Nejedly's strange and eventually failed attempts to adapt Palacky's conception of Czech history to the needs of the "only rightful heirs," the communists, as Nejedly would have it. The Cyril and Methodius tradition underwent similar adaptations for the purpose of demonstrating our allegedly age-old tradition of national orientation eastward to Slavonic Russia. Historians given the task to promote such "traditions" had mixed feelings on the subject. While rejecting emphasis on Slovak liturgical writings, Czech historians considered this a rather marginal question, and in Moravia there was a strong tendency to make Great Moravia a local tradition, thus emphasizing its own rights. Similar trends were found in Slovakia, somewhat muted by the fact that this interpretation of Great Moravia became the official doctrine of the Slovak state during 1939-44.

Typical in this respect is especially the Stalinist discussion of Great Moravian statehood, attempting to present Slovak antecedents as Moravian nationals.

Recently, these gray ashes of musty historical interpretations by the then ruling establishment, began to surface again, and were first exposed in a series of debates on Bratislava television in 1988. Public reaction was surprisingly strong, even if officially muted. Under the catch phrase "Who Owns Great Moravia?—Ours!" all three nationalities claimed proprietary rights with considerable emotion. The above-mentioned debates revealed that Slovak historians and archaeologists defended a sort of "federated" model of Great Moravia, under a rough concept of two ethnic entities in one state, namely, Moravians and "Slovenes" and other Slovak ancestors; consequently, a bipolar state consisting territorially of two parts of equal importance. This was resolutely rejected by the public which demanded "asymmetry," i.e., primacy of one or the other side. This situation has remained roughly the same to this date, except that it has grown into greater dimensions through agitation of political groups in both Moravia and Slovakia. United in absurdity, they both blame the Czechs for the demise of Great Moravian statehood, and have gone so far—as we have witnessed in the unveiling of the Tiso memorial plaque—as to glorify the founder and gravedigger of the World War II vassal Slovak state, as a reincarnation of Svatopluk.

Who then did own Great Moravia, was it the Czechs, the Moravians, or the Slovaks? The only reasonable answer is none of the above. It was owned by those who, while calling themselves Moravians in the 9th century, were not ethnic ancestors either of contemporary Moravians, Slovaks, or Czechs. This statement must naturally be explained and backed up.

The contemporary Czech nation came into being in the last century, based on its medieval traditions, formed in turn within the framework of the earliest Czech state. In contrast to popular opinion, I believe that the foundation of this process was not a conglomerate of unrelated tribes living in the Czech lowlands, but rather one large tribe of Czechs, encompassing all of Bohemia. This major tribe came into being in the late 6th or early 7th century.

Thus, the birth of the contemporary Czech nation was preceded by many racial births which, while interrelated, did not necessarily emanate one from the other. Consequently, one should not speak of antecedents, nor biological continuity. The fact that the Czechs in the last century became a nation, was not brought about through blood ties or genes, but rather through popular will to become a nation, based on the traditions of a specific, actively pursued, culture, in the broadest sense of the word. This also applies to the preceding geneses. In fact, modern research had already decades ago reached unanimous consensus that, while a variety of external objective conditions are essential for the birth of a nation, the decisive factor is the subjective one, which Ernest Renan

called daily plebiscite. When, in his time, Emanuel Radl tired and failed to convince the Czechs of this, he called the old language and biology-based—in fact racist—concept of a nation “tribal,” he conceded that primitive tribal ethnicity may have emerged “naturally.” Since then, however, we have found that what we refer to as tribes in early Europe, basically emerged and evolved in the same fashion as nations, i.e., again through basically a subjective act of collective will. Bohemia and the Czechs are a good example of this.

It was different, however, with Moravia and Slovakia. That which is known as the Moravian phenomenon—meaning the difficulty in classifying the ethnic and state-juridical situation in that area—arose after the fall of Great Moravia in 906, especially following the final affiliation of Moravia with the Czech state in 1019. The continuity with Great Moravia in ethnic and juridical terms was thus completely severed. According to foreign observers, the state ceased to exist, the land was ravaged, and both commoners and the aristocracy fled to neighboring countries. It is possible that the actual situation was not quite that bad, yet it is certain that nothing remained of the state. Opposing claims of certain Moravian historians may well be considered a purposeful error. The fact remains that under Bretislav I (1019-55), Moravia—for all practical purposes—was starting from scratch. Contrary to popular view, we must note that it was not incorporated into the Czech state but rather remained a self-administered affiliate. It is for this reason that it had no direct participation in the Czech process yet it failed to find its own. While inhabitants of Moravia did not become Czechs, neither did they evolve into a medieval Moravian nation. Only during the 16th to 18th centuries was an uncertain Moravian sentiment gaining national traits, based on the estates. A Moravian nation could well have emerged but at the decisive moment, during the national revival period, the Moravians veered toward the Czech nation and participated actively in its birth.

Slovakia too is a curious case, even though with different experiences. Not even as part of Great Moravia was it fully united. While Western Slovakia formed part of Great Moravia, the Great Moravian rule in the central and eastern Slovak provinces was tenuous, and it was only in 880 that Svatopluk succeeded in subjugating the latter. All of Slovak territory after 906 came under Magyar control, even though not in equal degree. Great Moravian traditions, as well as a certain ethnic consciousness, were surviving more strongly in Western Slovakia than in Moravia itself. In the end, however, everything was absorbed by the unifying force of the well-functioning medieval Magyar state, ending in complete demise of any remaining Great Moravian state-juridical or ethnic sentiments.

The name “Slovak” appears in the 15th century, obviously related to the common name for “Slavs,” without background in a particular tribe living in Slovakia in the 9th century or earlier. It is often claimed that this name may stem from “Slovene,” referring to inhabitants of

Great Moravia in, for example, *The Lives of Constantine and Methodius*, and asserting that this was the name of Slovak antecedents. Slovak historian, Peter Ratkos, felt that “Slovenes” were inhabitants of all of Great Moravia, while Moravians merely represented the ruling class. This, however, is clearly an erroneous concept. “Slovene” is simply the 9th century variation of “Slav.” The “Moravian” ethnic consciousness evidently disappeared in Slovakia, what remained was merely a feeling of belonging to the broad family of Slavs, not unlike what happened with the early Corutians. This gave rise to an uncertain, politically inarticulated “Slovak” ethnic consciousness within the Magyar state. There was herein no political substance until the national revival period, and some questions remain to this day. Slovak as a national concept arose in the 19th century without any relation to previous processes.

The fact is that on the territory of Moravia and Slovakia we know, excepting the Moravians themselves, no other names of early medieval tribes. This is explained by the possibility of early unification, the effect of which was the birth of the Moravian state under Mojmir I, and Pribina's principality in Western Slovakia. This, however, is one analogy based on another, namely, on the imagined unification of tribes by the Premyslides in Bohemia. For these princes did not unify tribes but rather principalities, since no separate tribes existed. The same may be said of Moravia and Slovakia. The predominant type of political organization, preceding the state, in early Europe was the large tribe which represented both a political and ethnic unit. These nation-tribes, such as during the 7th to 9th centuries in our area, the Velets, Obodrits, the Salle Serbians, Corutians, southern Serbs and Croats, had nothing whatever to do with “natural descent.” They were associations of free soldier-farmers, whose existence was protected by family-held “villages.” The main function of the tribe was to protect property and personal freedom of members against internal and external enemies. Until the 8th century, the tribe was usually headed by a prince, selected from among many aristocratic families. He was elected and could be deposed by all free men, his authority was limited, which benefitted, rather than harmed, internal democracy in a tribe.

The situation changed at the end of the 8th century, notably in the Carpathian Lowlands, controlled by the aging Avar Empire, where princely aristocracy of all the local Slavonic tribes was rising rapidly. It held its hereditary castles, its guards, and generally acted rather independently of their tribes. They married outside tribal borders and maintained “international” contacts. We know much about them and can say that, outside their castles, they held no extensive territory and were supported by gifts and services provided by the local population, as well as through agricultural land tilled by slave labor. A reader of Scandinavian sagas might well view them as the “konungs” (kings) and “jarls” (aristocrats) of the Viking period.

I mention all this because it permits us to understand who the "first Slovak" Pribina actually was. He was the same type of prince as, for example, Slavita in Zabrusany near Bilina, or Cestibor of the Serbs, in other words, one of those who built their castles and sought brides and alliances far beyond the tribal borders. The author of the booklet *On the Conversion of the Bavarians and Corutans to the Faith (Conversio Bagoariorum et Carantanorum)*, this "white book" of the Salzburg Archbishopric against Methodius, speaks of "a certain Pribina," one of many whom Mojmir, a Moravian prince, expelled around 830 from his castle at Nitra. The author uses the Latin term "exulare," i.e., the penalty of exile, imposed by a proper court, thus wishing to emphasize that Mojmir did not simply drive Pribina out but exiled him as well.

This is, of course, contrary to the accepted notion of Pribina as an independent ruler not only of the Nitra area but all of southwestern Slovakia. In truth, all indications are that Pribina was merely one of many princes in the tribe ruled by Mojmir, "Prince of the Moravians." This then was a tribe of Moravians, which makes Pribina one of the Moravian princes. Great Moravian rulers were always surrounded by their princes during important negotiations. They ruled together, even though the princes were subordinated to the ruler who was the apex of the ruling oligarchy reigning in Great Moravia. This shows how this state was born. Mojmir subjugated not the people but a group of princes who were followed by others. Pribina was merely one of these and, failing to submit to the ruler, was sent into exile. While popular belief has it that this was accomplished by military means, there is no evidence of this, in fact, the subsequent fading away of certain castles in southwestern Slovakia would indicate otherwise.

Pribina's alleged independence within Great Moravia is an undocumented notion, relying solely on the fact that during the years 869 and 870 Great Moravia had two rulers, Rostislav and Svatopluk. The former probably ruled from Mikulcice, the latter's seat is unknown. Some believe it was Nitra because it was the seat of the allegedly independent Pribina, and because Svatopluk established the second Moravian bishopric there. Before this he subjugated a tribe of unknown name in Eastern Slovakia in upper Potisi, which he wanted to convert to Christianity. He entrusted bishop Wiching with this missionary task, while Salzburg pursued the same objective in faraway Panonia and Corutania. There is no evidence that Pribina resided at Nitra around 869. In my opinion, we should rather look for him in the Bratislava area.

There is no evidence whatever of a genetically conditioned administrative duality of Great Moravia through the joining of Mojmir's Moravia and Pribina's Slovakia. This then eliminates the notion that southwestern Slovakia did not belong to the nucleus of Great Moravia and that Mojmir I in 830 had to defeat Pribina to acquire it. For it is clear that all contemporaries considered the Moravians as the only "nation" in the Great Moravian state. For example, a biography of Methodius maintains

that after 873 the "Moravian region" began expanding in all directions, i.e., including Western Slovakia which unquestionably was then part of that "region."

This document also considers Moravians its only inhabitants (we have already discussed the "Slovene" error).

We, therefore, have no choice but to assume that from some time in the 7th century, since the time of Samo's empire, the Moravian tribe inhabited both contemporary Moravia and the part of Western Slovakia not occupied by the Avars. Geographically, there is nothing unnatural about this. Since the White Carpathians formed no serious barrier, besides, a similar formation had existed even in Roman times, the so-called Vanio Kingdom. Great Moravia was the state of these ancient Moravians, this unified tribe, among whose princes was also Pribina. These Moravians, however, had nothing in common with today's Moravians, nor Slovaks, except perhaps a minor "blood" share of contemporaries. Even so, in terms of nationality and culture this meant nothing. The Czechs had even less to do with all this, for the "old" Czechs were an independent tribe which became an unwilling part of Great Moravia for a mere 11 years. Consequently, the sentence with which we started "Great Moravia was the first common state of Czechs and Slovaks," is not a historical but rather ideological, scientifically nonsensical, assertion.

Does this mean that Great Moravia had little or no significance in the history of our nations? Certainly not. What our analysis shows is merely that the squabbles between today's convinced Great Moravians and Great Slovenes on who is the true heir, make really no sense at all. In the early 1960's when archeological research on the Great Moravian centers was still in its infancy, a Slovak historian claimed that Mikulcice was originally located on the left, Slovak, bank of the river Morava, since its bed had moved in medieval times. Further research, however, showed that this "locality" which was most probably the center of Great Moravia, was actually on an island in the river, thus neither on the Moravian nor Slovak side. Will we ever find a Solomon to decide between the emotional heirs? In fact, is there anything to inherit at all?

According to the Nejedly formula, continuity flows through nations not states, which at first glance appears logical. As a state, Great Moravia definitely vanished in 906, and its "permanent" heritage could only have been that which survived in people and nations. However, a state is composed not only of people, territory and government, it also includes what we call statehood, i.e., society's reliance on it as a form of its existence, the state model and its relations with society, and system of institutions which assure its functioning. All this the Great Moravians had to resolve themselves, for the first time among Slavs, thus without applicable precedent. The only possible model, the Frankish, was not suitable, at least not entirely. Great Moravia represented the first practical model of a state which emulated neither the antique nor the vassal systems. This was the most

valuable feature in this formation and it would be a pity for such a creation to be lost and forgotten in the ruins of the region's castles.

Modern research shows that it was indeed not forgotten, that the systems of three central European states, born in the 10th century, are sufficiently similar to have had a common model. These three states are Premyslide Bohemia, Arpad's Magyars, and Piast's Poles. With Poland it was clear, its model was indeed Bohemia. Relative to the Magyar region, early research revealed Slavonic legal and administrative terminology in the medieval Magyar state, and it was assumed that this was to a considerable degree taken from Great Moravia. Today, this is denied by most Hungarian historians who try to prove that institutions, such as the so-called "castle" or "service" organizations, are an original creation of a Hungarian "seminomadic" society. They have failed to explain why these are so similar to Czech and Polish institutions. As to Bohemia, there is a direct link to Great Moravia, first in a small state of Borivoj I, later in the great empire of Boleslav I. Most probably the Czechs and Magyars, independently of each other, adopted the Great Moravian model, while Poland did so via Czech intermediary. All this cannot be proven absolutely, yet it is to date the best possible explanation of known facts.

If true, it would mean that the Mojmirites had built virtually from nothing a system later taken as model even in the larger process of building Central Europe, in three strong, independent states, a triangle simultaneously relying on the nascent "German" empire and providing a counterbalance to it. Around the year 1000—under Stephen I and Boleslav the Brave as builders, and the youthful emperor Otto III and Prague bishop Vojtech as architects, this structure was completed. In its foundations were the experiences of a long defunct Great Moravia, as well as the empire of Charles the Great and his successors. Further research will certainly show more precisely that the Mojmir experiment with a state contributed significantly not only to our own statehood but to that of Central Europe.

Therefore, even though there are no direct heirs of Great Moravia, indirectly all of us in Central Europe are part of its heritage.

POLAND

Former Internal Affairs Ministry Cadres Organize

91EP0298A Warsaw POLITYKA in Polish No 5,
2 Feb 91 p 7

[Article by Jan Dziadul: "Bitter Rancor"]

[Text] It is best to present the wrongs one has suffered using an example from the recent past. The principle is that in the course of dispersing demonstrations or rallies, militia (police) cordons leave one little street, passage, a gap in their ranks, a sort of valve, in order for the demonstrators to be able to flee thinking that they have

managed to avoid batons, water cannons, and sometimes gas... Closing them in tightly means additional problems which are manifested through aggression; this is the syndrome of a wild animal being caged.

Edward Dulinski, chairman of the action group of the Association of Former MSW [Ministry of Internal Affairs] Employees, who was, prior to verification, deputy commandant of Commissariat II in Sosnowiec, and until fall 1989 SB [Security Service] lieutenant in Department VI (Section of the Agricultural and Food Industry), believes: "In the course of the verification process last year, they did not give us any chance, and they have not given us any so far. We have been thrown out into the street. Few of us have any opportunity to find work or adjust to new conditions.... There is nothing. Some of my colleagues believe that if they are deliberately driving us into this semilegal existence, we should pick up the gauntlet. We have to support ourselves somehow. Now our wives, the wives of 'SB types' are being dismissed from work...."

They are young, largely educated and athletic, they know how to fight and use weapons. They feel that they were cheated. Their bosses, who until recently pulled the ropes of the security apparatus, washed their hands of them, did not even submit to verification, and quietly retired on their well-deserved retirement benefits. They worked for several years, or a dozen or so years. Those who lacked several weeks or months until the first retirement age (15 years of service) are the most disgusted.

Dog's Duty

Krzysztof Piaskowski, lieutenant, former functionary of Department III (superstructure), subsequently VI, maintains: "We acted in keeping with the law then in effect. We carried out the instructions of esteemed generals and colonels who have quietly retired into the shadows of history. After all, it is incredible that the entire odium of the SB and UB [Security Administration] should burden people such as myself. Our verifiers do not understand, or do not wish to understand, the simple truth that services of this kind carry out someone's instructions everywhere. Such is their dog's duty."

Captain Jan Kowalski (name changed), among other things, "was in charge" of journalists. Now he gets to read in the press that all "SB types" have been and are the muck of society. He kept reminding me: "Your colleagues have lost their sense of reality. There is nothing I would like more than an opportunity to reveal the network of informants among journalists, nothing more than this. It would suffice to compare it with what is being written now and by whom. Working in your community was altogether a pleasure."

Lieutenant Edward Dulinski could not even imagine that he would end up as one of the 800 former SB personnel in Katowice Voivodship who failed to pass verification. He asked: "What kind of an 'SB type' am I? I have barely rubbed shoulders with this company. I got my orders, and that was it. I am a born policeman."

He joined the militia in 1976 in Jaroslaw. Two years later, militia corporal Dulinski became the militiaman of the year of the People's Republic of Poland. On his beat, the percentage of solved crimes had increased abruptly, and the crime rate had dropped. In 1979, he was badly wounded while apprehending a dangerous bandit. After being discharged from the hospital, he submitted a report seeking a transfer to Silesia because his wife did not want to live in a basement by any means. They received a two-room apartment in Myslowice, and Dulinski began to work on economic crimes. In 1985, he graduated from a law school. A year later, he was transferred by the service to the new department, VI, which, among other things, handled economic crimes.

When Dulinski sulked over being treated as a pawn on the chess board, they comforted him: "You will be doing the same, except one notch higher." The best people working on economic crimes were being assembled in the SB. In the fall of 1989, Department VI was disbanded, and Dulinski returned to the militia, to a precinct in the most crime-ridden area of Sosnowiec. Prior to verification, he wrote in the questionnaire that he sees his place in the police only....

He recalls: "I was calm because I did not abuse my service position, and discharged my responsibilities in a way which did not violate the rights or affront the dignity of other people.... Unfortunately, I learned that I do not have the moral traits necessary to work in the police. In the letter-evaluation of the Voivodship Qualifying Commission, I read that I do not meet the requirements set for the employees or functionaries of the MSW."

He tried to find out what these "requirements" are in the course of obtaining a checkout slip at the Voivodship Police Command. Nobody was able to give him an answer. He appealed to the Central Qualifying Commission which let the decision of the voivodship commission stand. At the end of the letter, they placed a significant note: "The present evaluation is final and not subject to appeal."

"Therefore, the road is closed, we cannot appeal, we cannot complain to the courts, anywhere.... Long live a rule-of-law state!" He worked for the ministry for 14 years and six months. He lacked half a year until the first retirement entitlements.

The Verifiers and the Verified

After much asking about the reasons for a negative verification (he had obtained a favorable evaluation of the course of service at his own request), Krzysztof Piaskowski was told reproachfully at the Department of Personnel that, among other things, it is because individuals such as he had oppressed the people for 40 years. Piaskowski says that he could accept even this accusation with humility if it were not for the fact that a former SB functionary transferred from the militia for dereliction of duty holds a very important position in the personnel department.

Piaskowski commented sarcastically: "He has converted very fast, and has adapted to new arrangements. All of them are clean whereas we are the muck smeared with dirt and blood...." The deputy commandant who in 1981 reprimanded his colleague Dulinski for sending his daughter to communion, is clean.... At present, the deputy kneels in the first row of those going to communion, whereas recently he was in the first rank at all party functions. The pacifiers of the Wujek [Coal Mine] are clean, and those guarding the internees are clean.... "They were verifying us! This is how you may write it: The formation of the Association of Former MSW Functionaries is also a response to hypocrisy."

Captain S.L., employee of Department IV (clergy and the church), asked that his name not be revealed, because since 1984 the employees of this element have been looked upon as the potential murderers of priests. He graduated from the AGH [Academy of Mining and Metallurgy]. He joined the SB in 1978. "I know that this was the most hated department in the SB.... It was the least needed. I tried to transfer from 'number four' twice. Until recently, leaving this department, or the service in general, was regarded virtually as treason. Colleagues who resolved to take this step experienced difficulties finding work of the kind we do now. Under the circumstances, some people were wringing their hands. They left, but for us they remained.... You understand what I mean. I will not hide the fact that I was just afraid to leave...."

Edward Dulinski believes that fear dictated some of the decisions of the verifiers. After all, all of them knew each other. For years, they were subject to the same criteria for promotion, the same view of the world, and the same requirement to belong to the party.

Dulinski was sarcastic: "We know who said what, when, and how, and how he behaved. Such knowledge is disadvantageous for all those who are straightening out their hurting knees which are unused to kneeling. Therefore, it is better to get rid of such people."

I explained to the former employees of the security service: "It is easy for me to discuss verification due to shared experience. After 13 December, I was booted out from the press with a good evaluation and a note that I did not give political guarantees in the environment of stricter requirements of martial law." Not a single of my interlocutors had anything to do with the verification of journalists, but they believe that this verification was more "humane." No secret was made of the fact that this was a political act.

Dulinski said philosophically: "The situation in Poland is such that on one occasion you are verified, and on the other you are the verifier. If we were political [refugees] we could seek work outside the borders of our country." On behalf of the association, they have already approached several foreign missions (among others, Sweden, Switzerland, and Canada) with questions about job opportunities for industrial security people, escort

personnel, and guards.... They have certain experience; over there, these professions are in demand. Meanwhile, in this country they are done for professionally.... In one of the embassies, they have been told that in theory it is possible for them to emigrate provided that they prove that they cannot practice their profession for political reasons. However, how can it be proven when nobody wants to talk to them, and their evaluations say that they do not meet requirements.

Jan Kowalski recalled: "I remember the fuss which some communities kicked up after the introduction of martial law, demanding that the criteria of verification and the composition of commissions be divulged.... There were a great many lawsuits! We want the same. We want to make our verification public, as well as everything that was associated with the SB...."

The Association of Former MSW Employees (it was formed in August 1990 and is currently awaiting registration after many vicissitudes) is, in the opinion of the action group, a response to the criteria, manner, and inquisition style of verification.

Dulinski explained: "Even before registration they managed to sling mud at us, calling us a semilegal mafia-type organization. This is nonsense. We would like to operate openly; moreover, we would like to divulge all the secrets of the SB which cannot in any way harm the Third Republic. Quite the contrary, they may only help it.... The fundamental goal of our association is to help our colleagues—former functionaries who are now going through a difficult time in their lives."

A Dark SB Chapter

When they left the MSW, they received severance pay for two or three months in keeping with regulations and based on their tenure. Initially, they joked that this was for starting a new life. Very soon they stopped joking.

Before signing up with a job service, Edward Dulinski called on all the directors he knew, asking whether they needed a lawyer or a specialist on asset security. Indeed, they did need such people. In our country, security for industrial enterprises is mostly provided by retirees and annuitants. However, if at present anyone dares to hire "an SB type" the next morning a wheelbarrow will be waiting for the director in front of his office. Krzysztof Piaskowski, with a background in cultural studies, was only offered training as a freezer repairman at a job service center. However, he would like to do something in his own field. Therefore, he responded to an offer by a bank seeking an asset security specialist. Unfortunately, he was told that had it not been for this dark chapter involving the SB....

Krzysztof Piaskowski worked for two years after graduation in a shelter for minors. So, he thought that he could return to this; he liked the work, and in his time it had been the money that had attracted him to the SB. They turned him down at the shelter and at several reform schools. They turned him down at a pretrial detention

facility. They found his impudence surprising: An "SB type" wanting to be an instructor? A captain from Lublin, a former functionary of Department III, came to the association. Being a physicist, he found work in a rural school which was 30 kilometers away from the city. He was even perfectly happy with the commute. However, a priest learned about his background and he had to go. He has a wife who does not work and two children. The files of the association are enriched by several to a dozen such reports daily.

In several large cities, former MSW functionaries have started security companies. They are getting by somehow. The interested parties say that this will last until colleagues from the new services get on their cases.

Only a few have found work which is in line with their training or skills. Some are trying to look around in the world. A propaganda fuss was made about the Republic of South Africa, but this was merely a fuss.

Edward Dulinski maintained: "Official propaganda tried to portray us as mercenaries, people without an identity, without a Motherland, who are prepared to do anything for money.... As far as I know, there is only one former functionary in the Republic of South Africa. However, I believe that if by some miracle we succeeded in opening these or other doors we should take advantage of them because inside the country all doors are closed to us."

All in all, Edward Dulinski is getting by somehow. Together with a colleague, he took out a loan and started food sales hoping that they can always break even doing this.

Until recently, Krzysztof Piaskowski supported himself by an unemployment benefit (580,000 zlotys) and occasional guard work. The payment of benefits has now been suspended because the Ministry of Labor found improprieties in the dismissal of MSW employees.

Piaskowski said with some satisfaction: "The law was violated in their haste to get rid of us. We, the officers, can be dismissed from the service only by the Minister of Internal Affairs. Meanwhile, we were booted out by an order of the voivodship police commandant. Under the regulations, we are still MSW employees! Therefore, they have to pay us for half a year. The police lack personnel, but we will be paid for sitting on our duffs and being lazy."

Primarily those who dream about returning to the police or to the UOP [Office of State Protection] belong to the association which is awaiting registration. The people have hopes.

Edward Dulinski stressed: "We will stop deluding ourselves if they prove to us how we are worse than those who remain! There would be more hope if the authorities resolved to review the SB archives and operational records...."

I interrupted Dulinski: "Which for the most part have been destroyed and burned."

"Nonsense, they exist, despite the fact that very many people from the current establishment would give a lot for it to be precisely this way! Even if the archives are gone, we will be able to restore them. The names of agents, informants, chains, contact points, whom we paid and how much—all of this is still committed to our memory.... 'Our' people ended up on pedestals, and we ended up on ice. The couple of people you see here could shake up the parliament and the voivodship structure of power...."

"This sounds like blackmail!"

"Blackmail? What other choice do we have?"

Journalists from newspapers with big money are making circles around them. It may be that the secrecy pledge will begin to show cracks in the course of the parliamentary election campaign. They are not ruling out that the organized underground may be interested in their knowledge and skills. After all, there are counterterrorism experts among them. It has already been said in the Sejm that they are a choice catch for foreign intelligence services. At present, they are affirming their loyalty, but tomorrow.... Verification also affected employees of Departments I and II (intelligence and counterintelligence) who also have difficulty fitting into the new reality.

"This is blackmail..."

Jan Kowalski objects: "No, this is merely a proposal to give us an opportunity to find work. If we acted in contravention of the law, let them try us.... All we want is fair play."

Proposal for Reform of Supreme Chamber of Control

91EP0286A Warsaw GAZETA WYBORCZA in Polish
5 Feb 91 p 10

[Article by Andrzej Gaberle, professor of law and chairman of the Criminology Department at Jagiellonian University: "An Independent Chamber of Control"]

[Text] Among pseudopolitical squabbles and palace revolutions, reconstruction of the state was relegated to the background. A glaring example of this is the number of times replacing the NIK [Supreme Chamber of Control] president was postponed during the second half of 1990; this replacement would have been the first step toward reform of that institution, which is effectively resisting the new wave.

The postcommunist thinking of quite a few of today's authorities plays a part in this, and the political game around NIK is a vivid reminder of communist personal contests.

NIK continues to be looked on as a tool in the hands of the authorities to be used for wounding opponents and penetrating spheres that interest the authorities. In a properly functioning state, NIK is something altogether different.

What Should NIK Be?

NIK should supervise the management of public financial means and public property. The manager of this property is the state, therefore NIK should control the administration of the state as well as—only from the aspect of financial management—the Sejm, the Senate, and the president of the Polish Republic.

In a communist state, NIK did not supervise the organs of state authority because this was exclusively under the management of the Polish United Workers Party. NIK supervised the production area and was exploited as an instrument for finding a hook for inconvenient people.

In a democratic system, the state scarcely occupies itself with production (although in Poland this is only the future). Financial management of the state must, however, be supervised, and this role should be played specifically by NIK.

NIK should also supervise private enterprises and institutions if they manage public funds.

NIK should conduct inspections of problems on its own initiative or at the request of the Sejm, the Senate, or the president of the Polish Republic or at the suggestion of the chairman of the Council of Ministers. The purpose should be the investigation of broader, vital issues on a nationwide scale, for example, lumber management in state forests.

Finally, NIK should coordinate the activity of other state control institutions. There are universal complaints on the enormous increase in control and its inefficiency. Superfluous departments must be eliminated and activities must be put in order.

What Should It Not Do?

NIK should not supervise economic matters that are exclusively private property, as for example, stock companies, boutiques, producers of medical apparatus, or umbrellas, as well as political parties, associations, and other institutions if they do not manage as much as a public penny. As long as citizens do without funds obtained from the state and do not break the law, the state should not dare to poke its nose into their affairs. The state should facilitate development of private enterprise.

NIK should not have the right to issue binding recommendations to those it supervises. In an exceptional situation, it may, at most, issue advisory instructions to avoid threatening losses. NIK should only provide information on infractions and the need to correct them. When recommendations are not carried out, it should

exert pressure by appealing to appropriate organs of authority or to public opinion.

Providing NIK with imperious jurisdiction would mean burdening it with joint responsibility, i.e., if I order someone to do something, then I assume responsibility for the consequences of the action. In such a situation, NIK would play a dual role, that of supervising the management of public property and comanaging it.

Such a hybrid existed in the communist state (and still exists). This should be brought to an end. Proposing a vote to accept a final accounting from the government (this is a duty of NIK) in a situation in which it has joint control (even to a small degree), might not have been shocking in the Polish People's Republic, but in the Polish Republic such particulars must be given attention.

NIK must not duplicate the activity of other institutions, particularly the police and public prosecutor's office. The chamber is not meant to interpret economic, political or any other affairs.

Confusing the NIK with the police or the public prosecutor's office is threatening to the extent that the chamber does not act according to regulations of criminal procedure. By the same token, it does not have the right to bring about helpful settlements in criminal court proceedings. If it suspects infractions, NIK should secure evidence and turn the matter over to the appropriate organ of prosecution.

Using the chamber as police for special assignments is a good way to transform NIK into a "hammer for witches." In the communist system, this was standard practice, but is it worth continuing?

It Is Not a Weapon of Parliament, But Neither Is It a Separate Department

NIK, as is obvious, should be completely independent of the president and the government. With any other relation between NIK and the government, control of the state administration would be only a pretense.

NIK must be independent of parliament so that it cannot be used by the parliamentary majority (absolute or coalition) against the minority. The ruling majority should not create the temptation to reach for a convenient tool for overcoming opposition. On the contrary, it is specifically the opposition that should be able to turn to NIK if supervised entities do not respond to the conclusions of an inspection.

All of this does not mean that NIK should be a state within a state. It is the Sejm that appoints and dismisses the NIK president and can summon him at any time to give an accounting. The Sejm confirms the NIK budget and supervises its use. Parliament, on the other hand, has a potential to affect NIK, but the chamber can be neither an instrument of the Sejm (read: a hammer in the hand of the ruling majority) nor a field for competition between political groups, which always results in

assigning administrative posts according to a party key. This is how it was in the past, should this continue?

The party key relegates the question of qualification and professionalism to the background. This is how it was in the Polish People's Republic; it is delusion to think that it would be any different in the Polish Republic.

NIK should therefore take a self-dependent position, relatively independent of parliament; it should be a separate department in the structure of organs of the state, but closely cooperating with the others (legislative and executive).

The President of NIK and the History of the Polish People's Republic...

I was a candidate for the position of NIK president. I was, since I am no longer interested in holding this post. I write about this so as to be able to express my views that a lawyer should be appointed to this post without rousing the suspicion that I am acting *pro domo sua*.

Developing new statutes for NIK, new regulations for procedures, legal regulation of relations between NIK and other branches of control, being a cocreator of the final shape of the new law on NIK (there is only a plan), not to mention ongoing activity, will confront its new president with the most difficult legal problems. A person who does not have thorough legal knowledge would be sentenced either to committing glaring mistakes or to being downgraded to a figurehead.

This is borne out by the experiment of 1949-51 when people, coached in applying legal regulations, were put to work in courts and procurators' offices. Among them were people who were capable and not stupid, but regardless of personal traits, they contributed to ruining Polish administration of justice and legal knowledge.

Underestimating qualifications in filling posts requiring legal knowledge continued even to the end of the 1980's. If we want to build a state of law, then posts requiring the qualifications of a lawyer must be occupied by lawyers and not by zoologists or philosophers.

[Box, p 10]

NIK was organized on the basis of the law of March, 1949, but the Ministry of State Control was functioning as early as in 1952. The law of December, 1957, reorganized NIK, subordinated to the Sejm until 1976 when it once again came under the management of the government. Premier Jaroszewicz had the chamber in his grasp (he was specifically opposed to the Radio Committee's attempt at control). In October, 1980, on the initiative of the Deputies Club, NIK was once again subordinated to the Sejm.

At present, the Sejm appoints the NIK president with the approval of the Senate, and the Sejm president appoints

NIK vice presidents on recommendation by the president. The NIK president must participate in Sejm deliberations and he has the right to participate in meetings of the Council of Ministers.

NIK employs 1,260 persons of whom 80 percent are professionals. More than 500 persons are employed in the central office (together with the Warsaw representation). There are not enough applicants for jobs in NIK, and 200 positions remain unfilled. In 1990, NIK conducted:

- 3,959 inspections within the framework of 31 complicated problems of major importance to the whole country (the so-called group A: inspections ordered by the Sejm, Sejm commissions, groups of deputies).
- 362 inspections within the framework of 70 complex problems with local or regional impact (group B: ordered mainly by citizens committees, voivodship governors, deputy-senator groups).
- 1,195 inspections on the suggestions of citizens or their representatives (for example, workers councils).

Warsaw's 'Popular' Radio Z: Programming, Goals

91EP0297A *Warsaw POLITYKA in Polish No 5,*
2 Feb 91 p 9

[Article by Mariusz Janicki: "The Independent Radio Z"]

[Text] Within barely four months Radio Z has become the most popular radio station in the nation's capital. Eighty-eight percent of Z's listeners consider its broadcasts to be good or very good. Radio Z's small, 100-watt, but very modern transmitter, housed at the Marriott Hotel, is beginning to outstrip in local popularity the huge state radio station in Raszyn. It broadcasts around the clock and draws many listeners away from the famous "Trio" [Trojka—Program 3].

"Our relations with Program 3 are tense," admitted the head of Radio Z, Andrzej Woyciechowski, the only staff member to have extensive radio experience. Fired after 13 December [1981, the date when martial law was imposed], he had left for France and there learned the formula for "independent radio." "For the last eight years independent radio has been extremely popular in the West; Mitterand abolished the state's monopoly on radio and by now there are as many as 600 radio stations in France, with 50 in Paris alone. We studied their operations and selected the three best ones as our models."

The "formula" of Radio Z is a live news program. To anyone who listens on the 67 MHz band it may seem paradoxical that under that formula music merely serves to pleasantly while away pauses in that flow of information.

It rather appears the converse. However, A. Woyciechowski's aim is not to operate a music radio station, a commercial one like Radio Luxembourg or the pirate

Radio Caroline off the British seacoast used to be. His aim is more ambitious, although for the time being it has been accomplished only partially. "Radio should broadcast information accurately upon its arrival, without artificial pauses, which is not possible in the case of taped broadcasts. Polish [State] Radio, which broadcasts taped programs, follows a formula cast in iron which was violated only a few times, as when Stalin or Bierut had died." In other words, a taped broadcast cannot match a live one.

Following the Roundtable [negotiations between Communists and Solidarity held in 1989], Woyciechowski was asked to return to the state radio. There, he was greeted by his old boss, the same one who had fired him, and offered his old job back as the boss's deputy. As if time had stood still, Woyciechowski refused. By then he was thinking of something else. Jointly with Leszek Stafiej, an advertising expert, and Janusz Weiss, a poet, satirist, and cofounder of the recent "Salon of the Independents," he began to formulate plans for founding a "radio-newspaper," because that is what they called their creation. Later they were joined by Dorota Cirlic, the well-known Serbian and Croatian translator, who had for a short time worked for the ITI [expansion unknown]. Together they compose the Council of Cofounders, an informal body. Once a week they meet with the department heads of Radio Z, and once every two weeks with its entire staff.

Applicants Just Walked in From the Street

At 49 Nowy Swiat Avenue, in the offices of the Polish Economic Society, 64 people work in several rooms. Several of them are around 40 years old, but the majority are under 25 years old—they are university undergraduates and graduate students, along with some high school graduates, and there is also an opera singer. They all use the familiar "ty" [second-person singular] mode of address toward each other, including the boss: "I enjoy sufficient authority, and speaking in the familiar mode merely enhances this." This does not preclude honest criticism. At the same time, Woyciechowski admits that in warranted cases he puts his foot down firmly, that the whole arrangement is somewhat paternalistic.

Before the present staff had jelled, there had been a turnover of more than 200 people at the radio station, until natural selection set in; shaking hands, a squeaky, unpleasant voice, or unsuitability for teamwork or for a particular pace of work, caused the original staff to be markedly trimmed. Applicants either just walked in from the street or came to follow up press notices; there were no job requirements, but people conversant with two Western languages and young, best of all very young, had the best chances. The ultimate composition of the station's staff is quite satisfactory to the director. Recently more employees were recruited, and out of a crowd of applicants five were selected. Ultimately 100 are needed. The station's organizational structure is fairly complicated in relation to the relatively limited capacity of the 67 MHz band: it includes a reporter's

department ("Because PAP communiques are 'yucky'"), a journalistic department, a disc jockey department, and also advertising, technical, and financial departments. Despite some looseness, which here and there verges on chaos, this system performs quite well. Besides, in the director's office there hangs a board with photographs of all the employees arranged in the shape of a "tree of relationships."

A single room of the editorial staff contains six desks, three computers, and three teletypes—one from PAP, one from Reuter, and one from AFP. These facilities are located at a distance of five meters from the studio. Not more than 30 seconds may elapse from the moment the paper tape is torn off from the teletype to the moment its contents are broadcast. Such a speed is out of question for any Polish Radio broadcast. But then, at Polish Radio, what they engage in is not genuine reportage but mere clever translation of news items from Reuter. The names of the departments of Radio Z seem to fit a certain vision which has not yet been translated into reality, although Dorota Cirlic claims that raw press agency news is processed to fit a suitable form and culled so as to broadcast particularly attractive topics and, most importantly, they are broadcast without a commentary. The point is to provide information that, sensationalist as it may be at times, is thorough and exhaustive. It is basically news broadcasting. A. Woyciechowski is perfectly aware that this is somewhat frustrating to his young and ambitious staff: "They all would like to comment on politics and criticize individuals, but they still have a lot to learn."

For the time being, at most, station management broadcasts only the comments of politicians and other public figures themselves. A. Drzycimski [presidential press spokesman], P. Nowina-Konopka, and other prominent personages show up at the broadcasting studio. The politicians are invited for 0745; they drop in en route to work. At 1215, "cultural guests" stop by—recently also late in the evening. Such panelists are seated at a small, round table, next to a small console with three CD [compact disc] sound reproducers (that being the entire studio). It is there, too, that press agency news items are broadcast—at present regularly once every half-hour. Urgent news items interrupt the music, with the characteristic clatter of teletypes in the background. Earlier, outside columnists were allowed to broadcast their commentaries; during the presidential campaign Konstanty Gebert often acted as an announcer. This fact as well as other nuances, such as the oft-repeated broadcasting in the evening of 25 November of the song by Tilt [popular rock band], "It will yet be lovely, normalcy will yet come," produced the impression that Radio Z favored Mazowiecki.

"That was unintended," said the director. "We often broadcast side by side two commentaries, one in favor of Walesa and one against; the effect was such that the former was generally overlooked and the latter caused outrage."

Advertising Is Life

Radio Z's tie to GAZETA WYBORCZA is "five-percent loyalty," because that is the share the newspaper owns in the station. Of course, that five-percent contribution did help during the initial, difficult period of founding the station, but that was all. The chairman of the company owning Radio Z is, of course, Woyciechowski, and the shareholders are its staff. The chairman objects to terming Radio Z a "private radio." In Poland only the joint-stock form of ownership is possible at present, but since no outsider other than GAZETA WYBORCZA owns any shares in the undertaking, complete independence is possible. The joint-stock company is not, in the chairman's opinion, focused on making a profit, since it pays no dividends, and it merely pays current salaries, which vary depending on its sole source of revenue—advertising.

"Regular radio subscriptions are an anachronism in Europe. Besides, people pay subscription fees to Polish Radio but listen to us and to Radio Solidarity, which does not make sense."

There are fat months and lean months, with salaries changing correspondingly. Nevertheless, as a rule the average [monthly] salary in the lower positions is about 1.6 million zlotys [Z] and between Z3.5 and Z4 million in the higher ones, and it is paid to people 20-odd years old with a four-month work record, compared with the approximate Z1.5 million paid monthly to journalists with a work record of 30 years. On the other hand, during Radio Z's initial operating period, its staff basically worked as volunteers, thus providing a kind of hidden founding capital.

The recruitment and production of commercials (in a separate studio, on Rutkowski Street) are the most guarded domain, because it is the one providing the station with the financial wherewithal. Commercials are designed with panache, each being based on a different idea, thus reducing annoyance to listeners, which in itself is a lot. Moreover, during each intermission either one long commercial or three or four short ones are broadcast. "This is a general rule," said D. Cirlic. "The listener is aware that, if he does not like a commercial, he does not have to twiddle the knob, because the commercial will be over in a moment." Commercials are broadcast for reasonably short intervals of time, just enough to provide an adequate income, because excess is perilous. "Many radio stations stressed broadcasting too many commercials," A. Woyciechowski said. "Their revenues and capital thus grew bigger, but in the long run they shrank because listeners got fed up and switched to other stations, whereupon advertisers abruptly withdrew their business." It would be interesting to know whether the advertising departments at television stations are aware of this, although in the case of television it is difficult to switch to another channel. But whatever the heads of Radio Z may say, it is music that reigns over their broadcasts.

News broadcasts dominate, although they encounter considerable problems. Radio Z pays regularly royalties to ZAIKS [Union of Actors and Theatrical Composers], which are substantial, accounting for six percent of its revenues. Nevertheless, the heads of Radio Z have considerable reservations as to the reliability of their monopolist middleman. "When I telephone, say, the head of the CBS, which produces nearly one-half of all records, and ask him for gratis trial samples, he answers that he sends them all to Polish Radio and that he receives no payments from us," said A. Woyciechowski. "I am not sure what is involved there, but presumably ZAIKS pays the artists but not the producer, which is not fair."

Iggy Pop, the Current Hit Leader

Radio Z is the owner of about 600 compact discs, several hundred cassette tapes, and a few analog records, for which the market demand is clearly falling. "Proper operation would require keeping 6,000 records for continuous use," said broadcaster Szymon Majewski, "as otherwise the songs may be repeated more often than is admissible." And they do get repeated. The current hit tune of "punk" music is "Anarchy in the UK," created by the Sex Pistols. The station's collection includes only one Aerosmith record, and its collection of rock classics is inadequate.

One can infallibly tell whenever Radio Z receives a new record for its collection. These records have to be bought on "a friend of a friend" basis. The station has borrowed many—recently a few score from the well-known Program II announcer Marek Gaszynski. Radio Z is launching famous hits; recently it has been immoderately relying on Iggy Pop and his famous "Candy." Even earlier, the station's disc jockey developed a liking for black "rap" style, which consists in, more or less, the recitation of a sentence over and over against the background of an electronic percussion racket. Jacek Sekulski, the music expert, said, "At first many things were broadcast indiscriminately, but now 'rap' lovers have calmed down somewhat."

It is difficult to develop a distinct musical profile when a radio station desires to offer something for everyone, or nearly for everyone—studies show that most of the listeners are in the age group of 20 to 40 years. According to A. Woyciechowski, "That is the best age group. We had feared that only teenagers would listen to us—that would have been a disaster." Following the initial period, political music began to follow a certain, almost "marketing," pattern as confirmed by J. Pekulski [as published]. In the morning the wake-up music is lively, although not exaggerated. Between 1000 and 1100 [rock] classics from the 1960's are broadcast. Afterward, until 1400, the station broadcasts "centrist" music for female office clerks and homemakers. At night the music is sharp and loud. Appearances by disc jockeys are scheduled so as to match their musical tastes to this timetable. Nevertheless, considering the age of the listeners, of a certainty more older music should be provided; for

example, the program proposed by Radio Z for New Year's Eve did not meet with too good a reception; the "Trio" was better. But that is what competition is all about.

Along with its somewhat anonymous broadcasters, Radio Z has already launched some minor stars of its own. These include of a certainty Piotr Radecki, a historian and at present a drama and film reviewer, who presents in 15 or so emotional sentences the atmosphere of a film and its audience; Wojtek Pichlak, a correspondence course graduate of the SGGW-AR [Main School of Rural Economy—Agricultural Academy], who awakens the sentiment of listeners with his slightly paranoid but, as he claims, absolutely true tales about animals and elves; and lastly Jacek Banasikowski, who can turn the narration of a pedestrian soccer match into a gripping Shakespearean tale. Such people represent Radio Z and want to continue to do so. If they can... Because the 67 MHz band was allocated to Radio Z only temporarily, and it faces the threat of being subsequently allocated a so-called Western frequency band, between 88 and 108 MHz, which means the doom of that station, because then its broadcasts could be received only by those listeners who have bought foreign equipment abroad and succeeded in adapting it. In Poland broadening the ultrashortwave band is an issue, but that will take many years to accomplish. At present there are some 30 stations wanting to be allocated the Polish segment of the ultrashortwave band. If that segment is auctioned off, Radio Z will be doomed, because it is the only radio station of its kind in the former Eastern bloc to operate without the participation by foreign capital. "It is the obsolete Polish transmitters that are to blame for all this," the chairman of Radio Z complained. "'Trio' occupies a sizable band interval, as much as 1.5 Mhz, whereas Radio Z, with its better quality, was assigned an interval of only 0.3 MHz. In other word, 'Trio's' band could accommodate five Radio Z's." If this problem is not resolved, the future of independent radio stations in Poland becomes doubtful.

Radio Z wants to broaden its operations, establish transmitters in other cities. The radius of its transmitters at the Marriott Hotel does not exceed 100 km. "We are not a local radio; only our transmitter is, for the time being, local," said A. Woyciechowski.

YUGOSLAVIA

Worsening Situation of Kosovo Ethnic Albanians

91BA0350A Zagreb DANAS in Serbo-Croatian
19 Feb 91 pp 30-31

[Article by Ekrem Kryeziu, writer from Pristina: "Whose Hands Are Bloody?"]

[Text]

Saturday, 9 February

It is very difficult to keep a journal about Kosovo these days. Nothing is happening that has not happened before.... The difference is only in the dates, the names of the citizens beaten without reason, the shops of Albanian craftsmen, the schools with instruction in Albanian, and even the libraries (like the one in Podujevo) forced to close, the receiverships in Kosovo enterprises and cultural and health institutions, differences in the names of the victims of the young Albanian "suicides" in the Army, and so on, and so forth.... I have the unbearable impression that I am living the same day over and over again, as though my life has become stuck at some troubled and uncertain point. Since 1981 and up to the present day, the state of emergency has been the normal state of affairs in Kosovo. That means: the rampages of punitive expeditions of the Serbian police, brutal assault troops, the restorers of Emperor Dusan's medieval empire at the dawn of the 21st century! To rid "their" living space of Albanians, they have had to turn the state of terror imposed by the state on Albanians into a "constitutional" provision sine qua non.

I read in the Albanian-language press that a meeting has been held in Belgrade of the Yugoslav Constitutional Court concerning the constitutionality of the Kosovo Declaration of Independence and the Declaration which in a legal sense paved the way for the Kocani Constitution of a Republic of Kosovo that would participate in agreements on the country's future arrangement on an equal footing with our other republics. This first "constitutional" judgment of the young Republic of Kosovo is taking place as usual, behind closed doors, but the truth cannot be hidden. Not only were there no newsmen, but those being judged were not present either—the authors of the "disputed" Declaration, representatives of the Assembly of Kosovo—although this is required by the operating procedure of the Yugoslav Constitutional Court. Nevertheless, two scholars from Kosovo who were present, Dr. Esat Stavileci and Dr. Kuretesh Salihu, professors, declared in this connection: "Not states, but peoples are the entities under international law," and Albanians have been living on this soil from Illyrian times to the present day. History will one day render to account those who want to set history in opposition to the law. The Yugoslav Constitutional Court can indeed pronounce findings even without representatives of the Assembly of Kosovo, but we leave to the conscience of the constitutional judges the extent to which this complies with the SFRY Constitution, in whose name they are acting and which is still in effect. The Albanians have always been given the short end whenever they have been forced to accept destiny designed for them by others. Now they intend to be concerned about themselves.

Sunday, 10 February

For those 80,000 Albanians who have been laid off, every day is Sunday, with no hope that Monday will come for them soon! I have a pile of newspapers in front

of me. The war in the Gulf continues. It is lucky that the Scud missiles do not reach Kosovo, nor is it necessary. The Serbian "law-governed" state is firing weapons here which are equally dangerous, although not so spectacular.... Hunger is the newest weapon with which they hope to subjugate the Albanians, who truly are indomitable.... I have my morning coffee with my wife Resmi, who has a Ph.D. and is employed in an Albanian institute in Pristina where they have not been paid and have been threatened with closing. I tease her that her mistake was getting the degree, because had she remained a weaver on her loom, interested in nothing other than the price of wool, she would have been in no danger whatsoever.... The telephone interrupts our conversation. Friends are reporting the names of families which have been hungry for days. Resmi is a member of the Presidium of the Nina Tereze (Mother Theresa) Humanitarian Society and spends all her free time seeking and finding those who have gone to the very edge of physical survival. The Albanians are a strange people, they would accept death rather than to ask for charity! She is embittered by the general genocide against Albanians and is not so upset about the ban on my play "The Victims of Bar" (Zrtve Bara), which was just about to open in the Kosovo National Theater in Pristina. Because, she says, history will at some point pronounce the truth about that genocide against those innocent Albanian peasants who were mobilized and in April 1945 were supposed to be an addition to the Fourth Army.

At that time, all the weapons were fired against 5,000 to 8,000 empty-handed Albanian youths who would today have their families, whereas today, still more horrible, they are "firing" even on children's minds by shutting down the Albanian-language schools. The Serbian teachers observe this spiritual genocide in silence, but that does not concern them, they are striking because of their own low salaries!!! It is my impression that those strikes are only the tip of the iceberg of the Serbian resentment which must exist in that people, and which the authorities are trying to hush up with all the state's propaganda tools. I hope that the Serbs in Kosovo do not like to feel themselves deceived either, now that they have consented to being used as a tool by their leaders in the struggle against an entire people, their Albanian neighbors. They are to be pitied! At the beginning of this decade, that policy assured their militant followers that enslavement of the Albanians was the principal condition for their freedom! Now a new slogan is being launched: Starvation of the Albanians is a precondition of their society. But what is incomprehensible to other peoples is reality in Kosovo! The demands of the Serbian teachers that the salaries of their Albanian colleagues be stopped and that that be money shared among them, are without precedent even in the most sinister regimes in the world today.

The phone rings again. I am told that today is the funeral of the 20-year-old who, according to eyewitnesses, was slaughtered from behind in an Amsterdam cafe by Serbian terrorists. This will be my third funeral in 10 days of

an Albanian murdered by "persons unknown"! Lord, I think, it seems that they do not want to leave the Albanians any other place to meet except at funerals. Those people, that day there were about 50,000, even though they were surrounded by cordons of police, did not come to weep for the unfortunate victim because there have been many of them, but in order to come together in their pain. I think of the thought which Riza Sapunxhiu, representative from Kosovo, uttered in the meeting of the SFRY Presidency. He had said that a most terrible thing would happen unless the Albanian demands are met concerning equal participation in agreement on the country's future. Never before have I come so close to thinking that what none of us wants could actually occur, but the stoic peace that radiated from those people completely changed my mind. The Albanians are putting up with the terror and injustices not out of fear, but from a desire not to bloody their own hands, because a peaceful future cannot be built with bloodied hands. But patience seems to be running out....

Monday, 11 February

The president of Serbia has uttered a "brilliant" thought: A little bit tomorrow, and that in Cyrillic. But people do not want a little bit tomorrow, but a great deal today! They are living today, and they would like to truly live. But what chance are they given? Vukasin Jokanovic, vice president of Serbia, says without a trace of embarrassment that the state of Serbia will soon institute parity in secondary schools and universities of Kosovo with the next enrollment, which would mean one Albanian for each Serb! But in Kosovo Albanians constitute 90 percent of the population and non-Albanians only 10 percent. This kind of policy by memorandum based on the Cubrilovic project, whose sole purpose was to break down the spiritual identity of Albanians so that they would then disappear from this region, has been opposed not only by the Albanian political parties, but indeed by all organizations representing those who teach in the Albanian language.

And take those Serbs, are they happy now that they have laid their hands on all the important positions of leadership from which the Albanians have been removed? Now they are at odds over the division of power. Sparrows, as those who came from Montenegro and Hercegovina call the Serbs who were old settlers to emphasize their timid docility, referring to the sparrow who flies high when the sky is empty, but hides in a bush when the eagle appears, and the hawks, as the Serbian old settlers refer to the newcomers, the shock troops from Kosovo Polje, the main striking force of the "anti-bureaucratic revolution." Among the sparrows, only Momcilo Trajkovic, who formerly was a singer and accordionist who earned money with his talent at Serbian celebrations and weddings, has a kind of uncertain function, which perhaps is suitable to that kind of "talent." However, the hawks, entrenched in the comfortable seats of power, are in command of all the rest of the non-Albanian population. In a meeting of this strange menagerie in Kosovo Polje, the arguments used

were those of the clenched fist. All the Albanians can do on such occasions is to watch them bicker. That is also Kosovo!

Tuesday, 12 February

12 February 1945. Publication of the first issue of the Albanian-language newspaper RILINDJE. Today, those employed in the only Albanian-language daily newspaper, which by decision of the Serbian parliament was discontinued six months ago, rallied to mark the 46th anniversary of its publication. This was a quiet protest of about 2,000 people against the violence done to the freedom of thought of the Albanian collectivity numbering several million who are now facing in silence the powerful detachments of special police who for years have been training to repress innocent citizens. Tomorrow, we expect the visit of a multimember delegation of the European Parliament. Glad as I am about that visit, I am equally amazed that they are still seeking evidence that would convince them of the authenticity of the genocide practiced against Albanians. I fear a repetition of what happened when the delegation of American senators came, when the crowd that awaited the prestigious guests was beaten to death. The Serbian police seems to want to convince the world that Kosovo is its dowry! Not even America can touch it, much less Europe, with what are referred to in the Serbian Assembly as some kind of parliament in which the members are pensioners and unsuccessful politicians!!!

To tell the truth, Serbia did gain Kosovo as a gift from the Europe of 1878 at the Berlin Congress, where they began the partitioning of Albanian territory that would end with the Versailles and Yalta conferences. The great powers at that time intentionally overlooked the fact that Albania, with all its plundered parts, belonged to the Western Hemisphere, and had no ties whatsoever, either in history or civilization, with the East and its political "cultures." Aware of that fact, and knowing also the repulsion of Albanians toward Orthodoxy, free of fear of excessively great influence of communism in this part of the Balkan Peninsula, and out of a desire to create a buffer zone against that pestilence from the East, they sacrificed Albania in order to save Orthodox Greece from the fatal iron "clutches" of communism, an ideology which set class feeling in opposition to ethnic feeling in order to justify pan-Slavism in the world. Albania, squeezed by the force of those who were stronger, was silent for decades about the parts of it unfairly broken off. The more frequent visits of European parliamentarians to Kosovo and the internationalism of that problem are beginning to persuade me that Europe has, after all, discovered its historical-political mistakes and wants to correct them.

Wednesday, 13 February

The fear of the arrival of the parliamentarians was almost realized in the worst form. Resmi and I, with our sons Milot and Drin, waited up until 0200 hours, all of us upset, waiting for our oldest son, Shkumbin, to return

by bus from Zagreb, where he had gone on business. About 0215 hours, Milot and I set out for the bus station. It is a clear and quiet night, but the streets are overflowing with police patrols, as though they expect something disastrous to happen any minute. Pristina is empty at this hour even in more normal times, now more than ever. All of this seems to me somehow unreal, as though I am a character in an Orwell novel. One feels the tension in the air; it is so tangible it seems to throb with our pulse. I reassure Milot, who after the third time that we were stopped, our papers examined, and the car searched, showed his nervousness. My professional aplomb saved us a beating and perhaps something worse. A fourth patrol awaited us in front of the bus station. They asked us who was so important that we were meeting at this late hour? Perhaps Ibrahim Rugovo, I laughed once again, but this time wryly, and I do not know how to respond: I mumble: "I am meeting my son...." "Where is he coming from?" I do not say Zagreb, in order to avoid further abuse, because these days Zagreb is a thorn in the side of everyone in Serbia, and I say "...from Belgrade. He is a student there." Milot looks at me in astonishment, but fortunately his look is not noticed because at this moment, somewhere beneath the overpass in the direction of Kosovo Polje, we hear a burst of gunfire, and this patrol sets out for the scene of that event. At this point, the bus arrives, and we gather up Shkumbin and through the back streets where the police do not dare to set foot, as though we are in some war zone, we barely manage to reach home. That is how it was the night when the delegation of European parliamentarians was in Pristina.

Thursday, 14 February

The Serbian-language station of Radio Pristina says that yesterday the delegation met with the political leaders of Kosovo and with the "so-called representatives of the Albanian alternative," and so on, and so forth. And those "so-called" are actually the true and sole representatives of Albanians in this part of Yugoslavia. How long will those people in the media continue to bury their heads in the sand of their falsehoods, which they repeat

endlessly until they become the truth for them? Have they not had enough of that political fata morgana? Does the Serbian people truly have no more dignified representatives, but must put forward people like Kertes, Lagic, and the other hawks and sparrows? No, they cannot accept that kind of assertion. I esteem the Serbian people because of their rich patriotic history! But what is happening to it now is not clear to very many people. The only consolation for it all lies in people with a humanistic outlook who do honor to their people, worthy descendants of Dimitrije Tucovic, Kosta Novakovic, and others, and they are Koca Popovic, Bogdan Bogdanovic, the representatives of the Social Democratic Party for Serbia and Yugoslavia, and people like them. If anyone needs help today, then it is the Serbian people who cannot go forth to meet Europe because of their spiritual enslavement. There is no other way I can explain the thesis which Vukasin Jokanovic, vice president of Serbia, and Momcilo Trajkovic, former "governor" of Kosovo, attempted to foist off on the European parliamentarians, namely that no one's human rights have been threatened in Kosovo except those of the Serbian people. Who knows, perhaps they thought that the rights of the Serbian people were threatened by the Socialist Party of Serbia, the party in power...! In Kosovo, all things are possible!

Friday, 15 February

It is still snowing. The roads are impassable because of the shortage of salt. Lord, I think, it is good that my daughter-in-law Vlora is eight months pregnant, and I will thus become a grandfather only in March. The obstetric clinic in Pristina has been closed, probably so as to halt in some degree the high birth rate of Albanians. The new authorities really think of everything, but still they cannot thwart the vital spirit of Albanians. I will become a grandfather, even if I have to take my Vlora to Zagreb. It is her first child, and I am concerned. In any case, today a great many Albanian women give birth at home because we are at the dawn of the 21st century, are we not? Joking aside, but when I think of my future grandson—I say "grandson" because, let us not forget, I am an Albanian, and when Albanians wait for a newborn child, they always dream of a son.

BULGARIA

Relations With Bulgaria: 'Axis' Forming

91ES0485X Athens I KATHIMERINI in Greek
17 Feb 91 p 4

[Article by P. Papayiotopoulos]

[Text] Bulgarian Prime Minister Dimitar Popov's visit to Athens has confirmed the rapidly growing relations between the two countries in the direction of closer and more productive cooperation.

The fact, of course, that the prime minister is in a transitional office leading his country toward new elections in May or September at the latest (the postponement of elections until fall is insistently being called for by the Union of Democratic Forces so that the forces that are opposed to the Socialist Party, that is a continuation of Todor Zhivkov's Communist Party, might become better prepared) has not left him much leeway to make more definite initiatives for a further strengthening of Greek-Bulgarian relations by way of publicizing them. Nevertheless, the Popov visit has promoted these endeavors.

The Role of the "Axis"

In the present situation the major interest of the two governments is centered on the role the Athens-Sofia axis might play in a broader geographic area where the change in military and political phenomena is something more than evident. Both countries are concerned over the rise of Turkey which, despite the fact that it is showing that it is engrossed in developments taking place in the Gulf, continues to reinforce its military presence in Thraki.

Additionally, nothing brings one to believe that Turkey has ceased its attempts to bring about internal destabilization of the Balkan states of the region which have for some time now been accused of exploiting the Muslim minority population that lives mainly in Bulgaria and Greece.

Developments taking place in Albania and Yugoslavia are offering the opportunity to have this influence transformed into a gigantic "snake" that is coiling up in the southern Balkans and is permitting Turkey to acquire powerful bridgeheads to its west. Prime Minister Mitsotakis' and Defense Minister Varvitsiotis' recent trips to Sofia confirm that both parties desire, above all, cooperation in defense matters.

Cooperation With NATO

A high-ranking government source told us, "It is cooperation that can move forward on a large scale up to the point where NATO is not harmed."

Besides, the Greek side has thrown its weight to promote Bulgaria's relations with the EEC and the Council of Europe, while it has already brought before NATO

Bulgarian President Zelev's desire for closer relations with the North Atlantic Alliance.

According to very reliable sources, the Bulgarian Government desires the promotion of defense cooperation to such an advanced level that it would include carrying out joint military maneuvers and that would foresee coordination of the defense mechanisms of the two countries in case one or the other were to be attacked by a third country.

It should be pointed out that Greece, in meetings between its high-ranking officials with Bulgarian officials, has already expressed its concern over the way our neighboring country is confronting the problem of the large Muslim minority following the fall of the Zhivkov regime.

Greece, without this, of course, meaning that it is accepting, a posteriori, the vulgar behavior with which the former regime acted toward the minority, has pointed out that "the return of the obligated debt of democratic Bulgaria to the Muslims for all they suffered under Zhivkov must not create presuppositions so that Ankara's propaganda might find fertile ground, propaganda that uses minorities to broaden and increase the disintegrating phenomena in Bulgaria's new political reality."

Characteristic also is the fact that Popov, during his stay in Athens, avoided describing the minority in Bulgaria as "Turkish," something that was always the case from the time of Zhivkov's fall and afterwards.

The establishment of the Athens-Sofia axis, with the attention of the two countries fixed on everything that is happening toward the east, finds Greece and Bulgaria having converging ambitions on other issues affecting the Balkans, such as Skopje's bringing up the so-called "Greater Macedonia" pseudo-issue.

Bulgaria, also a target of an expanded appetite by Skopje toward the so-called "Macedonia of Pirin," can share Greece's corresponding problem and coordinate its counteractions together with our country.

Moreover, not to be overlooked is an agreement, of a purely practical nature, that was signed between the two countries during the Bulgarian prime minister's visit here.

This agreement dealt with taking measures jointly for avoiding accidents in the use of nuclear energy.

This has great importance for all of northern Greece that runs immediate risk from any possible damage to one of Bulgaria's nuclear energy producing plants that are located very close to the Greek-Bulgarian frontier. According to well-informed sources, the Greek Government insisted on its conclusion from the moment Mr. Proukakis, chairman of the Greek Atomic Energy Committee, returned from Bulgaria and sounded the alarm

about almost nonexistent security measures in the antiquated technology prevalent in nuclear plants in southern Bulgaria.

HUNGARY

Obstacles to Inflow of Foreign Capital Examined

91CH0360A Budapest VILAG in Hungarian 9 Jan 91
pp 33-34

[Article by Zsuzsa Ban: "Hurdles for Investors: IRI Has Been Waiting Nearly Four Months for an Answer to Its \$50-Million Offer"]

[Text] It would be absurd to imagine that on the Titanic, when it was sending out S.O.S. signals, the passengers' main concern had been how to arrange their deck chairs the most comfortably. Yet that is how an American businessman has recently characterized the general economic conditions in Hungary, after futile efforts over a period of 10 days, bombards the citadels of the defenders of Hungarian business assets with his investment proposals.

Had the simple and uninformed American first sought advice from one of the many consulting firms on investing in Hungary, he could have saved his travel expenses and spared himself the aggravation of being sent from pillar to post in Budapest. He could have learned at home that even 10 months, let alone 10 days, is too short a time to coax a meaningful answer to a proposal, from any one of the owners of Hungarian business assets, be they founding agencies, holding agencies, or perhaps local governments.

A constantly recurring complaint of the Hungarian economy is that foreign investment is just a trickle. The much-desired and hoped-for inflow of those millions of dollars has stalled. Although politicians have by now abandoned the illusion of a present-day Marshall Aid program, at hundreds of meetings with businessmen on five continents they are still asserting that Hungary's attractive business climate offers foreign entrepreneurs a wonderful opportunity. The promises are nice, but the harsh reality is disillusioning. It is very likely that foreign investors are being deterred not by the absence of an infrastructure for investment in Hungary, but by delaying tactics; by the technique of a decision-thwarting mechanism that has been masterfully developed to perfection. It may be regarded as an interesting Hungarian peculiarity that while the tactics of deterring capital investment have been perfected to an art in industry and agriculture, they have not been employed at all in trade, and have barely asserted themselves in the tourist industry. Nearly 400 joint ventures were registered in Hungary by the end of 1990; the total foreign capital investment is in the neighborhood of \$1 billion by optimistic estimates, and according to more pessimistic estimates, was forecast at barely \$800 million. The discrepancies stem from the fact that entirely different figures are being reported to the ministries concerned

than to the tax authorities and the Central Statistical Office, respectively. Most of this \$800 million to \$1 billion of foreign capital has been invested in trade, an area where the rate of return on investment is generally known to be the highest. Occasionally the invested capital can be recovered within a few months. But barely a third of the total has been concentrated in the productive branches.

Not even the businesses specifically specializing in investing in Hungary appear to be doing well. The First Hungarian Investment Fund was established amidst much fanfare in the autumn of 1989 with an authorized capital of \$100 million, but its actual capital is estimated at \$80 million. So far the fund has invested very little, choosing instead to augment its capital through financial transactions in London. In an interview he gave a Reuters correspondent, Robert Smith, the fund's manager who has since resigned, attributed the fund's failure to Hungary's unclarified economic, political, and legal conditions. Title to property is unclear; there is too much red tape; privatization is overcentralized, because of the activity of the State Property Agency; and it is difficult to coax meaningful decisions from the agencies concerned. By and large, these were the reasons the American businessman gave to explain why demand for American and Canadian dollars has slacked off in Hungary at a time of capital scarcity.

Cohfin, which belongs to the De Benedetti Group, may still be regarded as the most successful of the firms specializing in investments in Hungary. Since its formation last May, it has invested about \$15 or \$16 million in the Hungarian market so far, acquiring a majority interest in investments totaling approximately \$20 million. Cohfin's representative in Hungary is Peter Reiniger, a former deputy minister of industry. He makes no secret of the fact that his Italian and French clients would be willing to participate in even bigger deals. Cohfin could provide partners for Hungarian firms in 24 industries, but its investment plans and offers usually encounter tough hurdles raised primarily by Hungarian agencies. The Hungarian Investment Company Limited, founded by British promoters in February 1990 with a capital of \$100 million, has so far been able to invest about \$20 million in Hungary. It spent small amounts to purchase Graboplast and IBUSZ [Touring, Procurement, Travel and Forwarding Corporation] shares; contributed capital to Terimpex; and acquired in October a 49-percent equity interest in Nikex Foreign Trade Corporation for \$6.5 million. According to the British investment fund's representative, the fund is also participating in two new joint ventures, with a stake of about \$10 million. Naturally, the fund in London also wants to participate in Hungary's privatization, but does expect to be able to invest all of its available capital in the near future.

France's 120-year-old Paribas Group ranks among the 25 top corporations of the Western financial world. The Hungarian Paribas Corporation was founded in June 1990. Its president and CEO is Peter Medgyessy, a

former deputy prime minister. So far the corporation's registration has merely demonstrated the Paribas Group's presence in the Hungarian market, although not for the want of significant proposals by the business empire to Hungarian firms and central agencies. But no decision has yet been made on any of the proposals. More than a year ago, for instance, Matra Transport even signed letters of intent with five Hungarian enterprises, for the construction of the No. 4 metro line. French government circles, too, support Matra's proposal. The Paribas Group wants to finalize deals, presumably not just of moral significance, but also in the agriculture and food industry sector: in winemaking, in the processing of geese, and in the production of fruit juices and milling industry products it hopes to establish joint ventures that will be viable and able to export. For the time being, the Matra Group is waiting for replies from potential Hungarian decisionmakers.

IRI, an Italian state holding company that is regarded as one of the world's largest capitalist groups, is represented in the Hungarian market by several investment and consulting firms. One of these is Italgenco, whose Hungarian office has been waiting nearly four months for an answer to its large-scale proposal offering to undertake about 50 million forints' worth of strategic planning for Hungary's capital city. Italgenco would survey Budapest's infrastructural problems, determine their order of priority and prepare specific plans for their accelerated solution, while pointing out also the necessary financial investment possibilities. The only fly in the ointment here is that Italgenco is a state-controlled enterprise, and therefore the Hungarian Government would have to request of the Italian authorities to have the work done. Because of this formality, the Italian proposal first languished in the Ministry of Foreign Affairs for three months and is now reported to have been transferred to the Ministry of International Economic Relations, where it is awaiting a decision of some sort from the cabinet. The Italian firm, which is in possession of the documents on which it based its proposal, is confident that it could develop a useful strategy offering quick results, if it is commissioned to do the work. But when will it get the commission?

A group of Israeli entrepreneurs, who presented a development and cooperation proposal that has been coordinated with the Tel Aviv government, have been waiting nearly ten months for an answer from the Hungarian Ministry of Agriculture. The outgoing cabinet ran out of time, and the present cabinet has not yet found the time to study the plan that, in many respects, could facilitate the agriculture and food industry sector's search for a way out of the present crisis. Hungary's commercial counsellor in Israel, who officially received a copy, believes that in many areas the project could help the agriculture and food industry acquire modern equipment, and even gain new markets for their products. Since products with at least a 35-percent Israeli content—even in the form of intellectual property—are admitted duty-free to the EC countries and the United

States, the advantages would by no means be negligible for the agriculture and food industry in their present serious crisis.

The fact is that we lack laws on privatization, investments, concessions, and ownership. Yet even so, in the present alarming state of our economy, we could still conclude good deals, merely on the basis of common sense, of the practices that have gained acceptance in international economic relations, and of a definite concept. But to send out S.O.S. signals to the business world and then to steer clear of capital is more than absurd. Will the international capital market call this the Hungarian Titanic effect?

Role of National Bank, Commercial Banks Compared

*91CH0378B Budapest VILAGGAZDASAG
in Hungarian 22 Jan 91 p unknown*

[Article by Zsolt Molnar: "It Will Not Be the Commercial Banks' Fault"—first paragraph is VILAGGAZDASAG introduction]

[Text] As of 1 January 1991, the Hungarian National Bank discontinued the accounting for trade with CEMA countries. From now on, Hungarian companies can use commercial banks for making payments in the eastern region as well, but only in convertible currencies. How did commercial banks prepare for the new situation, and what will be the continued role of the MNB [Hungarian National Bank]? This is what we have tried to explore in the following, which presents the views of experts from the Hungarian Credit Bank, the Commercial Bank Ltd. (the new name of the National Commercial and Credit Bank), and the Budapest Bank.

MNB department head, Bela Teremi, said that the only remaining role of the MNB for 1991 is to refine the trade balance between Hungary and the CEMA countries, while the businesses concerned make new payments—now in convertible foreign currencies—through commercial banks. The so-called liquidation records, which deal with the disposition of balances, were jointly signed by the Ministry of International Economic Relations and the governments of the countries concerned. The records include the timing of the balances' disposition, the monitoring and implementation of which will be the MNB's task.

There Is Still No Agreement With the Soviets

The Soviet Union owes us more than 1.5 billion rubles. Signing the banking agreement with the Soviet central bank has been hindered by the lack of an agreement on the timing and the method of repayment of this balance surplus. Such an agreement has already been signed with Czechoslovakia, Poland, and the former GDR [German Democratic Republic], said Teremi.

Gyorgy Lutzer, the Commercial Bank Ltd.'s main department head, said that Commercial Bank Ltd.

[CBL] had already started to prepare the way for changing the accounts with former socialist countries to convertible currencies last year. According to CBL's assessment, the bank's burdens will significantly increase because CBL will be handling company business transactions that have been previously handled by MNB through a prompt collection system. A special department will be set up for trade with the Soviet Union and the East European countries and, consequently, the bank will increase its administrative staff by 15 to 20 percent and will update its technical equipment as well.

Since CBL has already handled free foreign exchange business transactions with East European countries, it has not only established relations but also has experience with the banks of the countries mentioned. Until now, CBL made so-called correspondence agreements in which the kinds of mutually accepted transactions, the methods of payment, and the names of account supervisors were determined.

"CBL now does not want to make such agreements. Cooperation must be built on new foundations because payments have been guaranteed by the states until now, and this will be discontinued in the future. Thus, the riskiest element of this agreement is the kind of guarantee for payment that we accept from each other," said Gyorgy Lutzer. The traditional correspondence agreement is unsuitable for providing such guarantees, because it may happen that a certain bank cannot pay even if it intends to because of various political or economic circumstances. Of course, such guarantees can only be provided by mutual agreement, and this applies to Hungarian commercial banks as well.

Capitalist Banks as Intermediaries

There are no direct accounts between CBL and the banks of CEMA countries. Payments are usually made through a third—usually American—bank that serves both as an intermediary and a guarantor. True, these banks assess service charges, but they also handle the accounts dependably, offer fast and reliable service, and pay interest on deposits. Presently, East European banks do not offer these advantages, that is why there is a need for an intermediary bank, said Teremi.

In addition to technical development and an increase of administrative staff, CBL must also examine the kinds of liquidity this new situation demands. "We have tried to identify those enterprises which have accounts with us and which have transacted their past socialist exports through MNB within the prompt collection system. It is well known that this system is faster than the accreditive or other forms. Consequently, it will take much longer for companies to get their money (instead of two days, even three months may pass) than under the old system of payment. CBL will probably have to increase its forint and foreign currency reserves to be able to finance the credits requested by companies because of delays in payments," concluded Teremi.

Trade Will Not Decrease

Hungarian Credit Bank (MHB) already handled a significant volume of dollar-account trade in the East European region last year. Consequently, in addition to technically handling the transactions, it can also offer helpful advice and information to those companies whose accounts it handles. For instance, it can help them select a method of payment, or it can tell them which partner is solvent and thus, a reliable contract partner, said MHB Department Head Laszlo Patak.

MHB expects a 25-percent increase in foreign currency trade. This will make it necessary to increase the capacity of its technical equipment and to hire 50 new administrative staff members. This investment will cost the MHB 200 million forints.

The problem will be the market limitations Hungarian companies must face rather than the backwardness of the infrastructure of Hungarian and East European banking. Hungarian companies can sell some of their products only in this region, and consequently, are willing to accept less advantageous methods of payment, forgetting that there is no more state guarantee, i.e., no assurance of payments. Patak said that Hungarian companies must get out of the habit of thinking that all they have to do is produce their quotas, or of not even being interested in where the products go, whether they are needed, or whether the partner who made the order will pay.

The MHB does not expect a decline in trade from the 1990 volume in the case of the three main markets (the Soviet Union, Czechoslovakia, and Poland). Patak went on to elaborate that the volume of exports to and imports from these countries by those companies that have accounts with the MHB is expected to be about the same as that of last year, which means that MHB's foreign currency trade will increase by the amount of last year's ruble account trade by these companies as accounted in dollars.

According to Budapest Bank [BB] Director Gyozo Kazinczy, BB will not face any surprises this year because BB already had a few successful convertible account transactions with East European countries last year. BB also began handling convertible foreign currency accounts last year, and this business branch even increased by a significant amount. The handling of the new convertible Eastern accounts will technically be the same as the handling of Western accounts. BB is ready, willing, and able to handle its business.

Minister Urges Central Direction of Restructuring
91CH0340A Budapest HETI VILAGGAZDASAG
in Hungarian 22 Dec 90 pp 4-5, 8

[Interview with Bela Kadar, minister of international economic cooperation, by Ivan Lipovecz; place and date not given: "The Paths Are Diverging"—first paragraph is HETI VILAGGAZDASAG introduction]

[Text]

The Minister on Economic Policy

The minister of International Economic Cooperation, Bela Kadar, one of the longest-lasting members in the government, sees good reason for the government to play a strong role. In his debate with those faithful to monetarism, he takes issue with the applicability to Hungary of developed countries' economic policy methods.

[Lipovecz] When the government took shape at the end of May, Jozsef Antall called for independent economic experts to head up the more important economic ministries. Half a year later, Ferenc Rabar had departed, but you stayed. Only now has it become known to the general public that the two of you were not on common ground with regard to economic policy.

[Kadar] The differences in what we brought along intellectually, professionally, and in background, became clear to the two of us right from the start. The divergence in our viewpoints did not spring from spiritual differences, but from our differing judgments on the sequence, pace, and scope of economic policy measures.

[Lipovecz] In your opinion, what would the ideal economic policy have been in May of 1990?

[Kadar] My view, and this is not based on any kind of willfulness but on the recognition of three decades of research work, is that no generally valid economic policy wisdom holds for all countries. I have always been interested in moderately developed countries and in the experience to be gained from managing the process of modernization. For this reason I am greatly at odds with the economic schools and approaches calling for theories, economic policy simulations, and modernization concepts that have been evolved in developed countries to be transplanted to Hungary.

[Lipovecz] Given these things, could this be why you personally have become particularly appealing to Jozsef Antall and the MDF [Hungarian Democratic Forum] because they might be expecting an economic policy and economic philosophy for a uniquely Hungarian course from you?

[Kadar] I am not privy to other people's motives, but I am convinced, and several months of government experience have done nothing to sway me, that we must be much more successful in finding a course that will lead to the resolution of current Hungarian economic and social problems than we have been in the past. In other words, we must lay the foundations for the Hungarian "economic miracle." Of course it is a concern in and of itself that at one given period in history, not only must the political system be changed, but the economic pattern, the focus of foreign economic relations, and even the path toward growth, not to mention social value and behavior systems as well. For the way the Hungarian population behaves, and the inhabitants of Central and

East Europe in general, is not typical of the behavior, attitude, and culture of competitive societies.

[Lipovecz] Perhaps we should leave social behavior to society itself. The question is, by what means should the government try to influence this?

[Kadar] There are dual conceptions. The one assumes that the administration has already made so many wrong decisions in decades past that its withdrawal from economic processes will by itself have a positive effect on the path toward a market economy. In my approach, doing away with low or moderate levels of development, the economic crisis, and structural deformation justifies the government playing a stronger role. The merciless, juggernaut method of creating economic effectiveness and innovation has succeeded up to now in more centralized political systems. Every social class or group fights having economic innovation brought about at its own expense. It is no accident that in the world economy today, with the exception of Costa Rica, I cannot name a single country in which democracy and a market economy function simultaneously over the long haul given a per capita GDP [gross domestic product] of around \$3,000. Having simultaneous crises in the political system and the pattern of the economy in itself makes the duplication of an economic policy hopeless, and demands extraordinary efforts and original solutions.

[Lipovecz] With the outcome of the last half of the year, the government could be accused more of incapability and bewilderment than for its lack of mercy. The two concepts clashed without either of them coming out on top. The government held no debate with those who represented various interests, it argued with itself.

[Kadar] Aside from the subjective factors, the slow formulation of economic policy is not unrelated to the administration's techniques for giving direction or what it perceives to be its role. Hungary has not yet begun to formulate the practice whereby upper-level management initiates a clash of interests among social-political and counterbalancing relationships which are becoming less and less defined, and this is actually a step leading toward democratization. But along with this, pluralisms have been built into the administrative system, which guarantee by means of mutually reciprocal control, that a substantial tilt in one direction does not occur which would endanger the desired state of affairs in the upper levels of power.

[Lipovecz] Was this done consciously?

[Kadar] No, it is traditional, but I believe that it inevitably comes about in every system that has traditions of central guidance. In the political sphere in Hungary we can already see the contests between the forces of the deputy prime ministers who are responsible for foreign economic relations and for planning that was already being waged back at the start of the eighties, and their results frequently cancelled each other out. This is what the present government has inherited. Certain battle

formations have already been established, especially after 1987 when the role of the fiscal and monetary sphere was greatly strengthened while the ministry dealing with foreign economic relations suffered a defeat and retreated.

[Lipovecz] You and the economists who think as you do could debate, attack, and theoretically demolish this fiscal-monetary attitude, although even this year—and the trend was already there in the Grosz administration's program—you approved of the fact that the nation's finalized balance of payments for 1990 showed close to \$1 billion in foreign trade assets.

[Kadar] I see it and I am always reduced to tears when those who represent the fiscal and monetary sphere claim achievements in foreign economic relations as their own. The credit for foreign commerce results then goes to the financial people and the foreign commerce people assume the guilt for the operation of the banking system, for the creation of a finance deficit, and for delays in state revenue and budget reform. But what are we talking about anyway in Hungary? Where are the achievements? Readily, and with a professional-policy regret, I admit that in the past three years, and I include the last six months as well, the role of the fiscal and monetary sector has grown in the political sphere. But I personally do not want to arm for a crusade because my credo was, and is that the country not be allowed to expand inside a malformed economic structure, and, moreover, that there is an incredibly great need for economic and financial discipline, even austerity. However, this austerity cannot be of such a scope that it would smother the healthy processes in the real economy, because that would bring about very serious manifestations of crisis. The developments in Poland in particular bring this to mind. In this economy of shortages that we are in, in this structurally unbalanced system of economic relations that Hungary has been forced into in recent decades, the chief issue is: Are alleviating an economy of shortages, stimulating the economy with concentrated devices, expanding supply, and above all else, competitive supply designed for export goals, are all of these categorical imperatives? I, and others too, are interested in looking at what happened in Hungary this year, in seeing what the rest of the world considers to be output. Seeing good progress in changing the focus and the system of foreign economic relations, namely contracting and assimilating, toning down, and putting a damper on what came from the East. Of all the East European countries, only in Hungary did dollar exports grow by 17 percent while imports also increased to approximately eight or nine percent. Not one other East European country matched that output. At the same time, we are vigorously making progress on changing the pattern in foreign economic relations. In the next year 90 percent of Hungarian imports will be liberalized, compared to last year's 41 percent. The enterprises in the Hungarian economy, which have engaged in foreign trade production for 35 decades, have gone in for specialization together with the

foreign trade enterprises, and compared to 1,200 at the beginning of the year, today they number 10,000; and so the deregulation process in Hungary today is a reality.

[Lipovecz] Without anyone casting doubts on the value of this ministry, I have the feeling that if liberalization and deregulation are proceeding on such a scale, there will very shortly be no need for this ministry or at least for a substantial portion of its apparatus. The tasks that have been carried out in this building for decades would simply cease. But even at the time the government was being formed, if I had thought that we would already be looking at the breakup of the CEMA system of relations as they existed, one still could not call the economic diplomacy that you conducted entirely successful.

[Kadar] In putting to rest the fears about the ministry's becoming "unemployed," let me note that a total of one main department has been dealing with this shrinking function of granting authorizations up to now. Your question and hypothesis would be justified if Hungarian economic diplomacy had neglected anything at all in comparison with any other country in a similar situation. Maybe this one statement will be enough: We were the first among all of the CEMA nations to sign the agreement with the Soviet Union on the terms and outline for the exchange of goods in 1991.

[Lipovecz] Has Hungarian economic diplomacy thereby done everything to make the minimum amounts of energy and raw material supplies that are needed for economic development in the coming year available?

[Kadar] One million tons of crude oil have been allotted in the agreements that we signed with the central Soviet organizations. This is truly a fraction of the 6.5 million allocated for last year and the 4.5 million for this year. But this does not mean that this is the final amount we will be able to obtain from the Soviet Union. We have already begun discussions with the Russian Federation. Hungarian public opinion, economic policy, and those who play a role in economic life must recognize that we are not the ones who can change the circumstances that have come about. Prizes are also awarded at bridge games to those who can take the bad with good with the cards that they have been dealt. Hungary did not get any good cards. Oil production in the Soviet Union this coming year will probably only be 560 million tons compared to 625 million tons last year. Crude oil exports will probably fall from 125 million tons to between 70 and 75 million. So the point is not about any kind of Soviet discrimination, but about every partner country getting less crude oil. We are trying to obtain this small amount, it may not be at the speed that we would like, but first and foremost we are making the effort to obtain this shrinking amount. Besides this, the job will be to diversify procurements to a certain extent. For 20 years I have written and stated many, many times that for a small country like Hungary the wellspring of security for its domestic and international economy is a suitable ability to export and suitable foreign currency reserves.

If we have a rapidly expanding export potential, something we succeeded in proving unequivocally and convincingly this year, then we can import crude oil from anywhere. Even from West Europe, especially if the pipeline between Swechat and Pozsony is constructed, but in the medium term this issue can also be solved with the Adriatic crude oil pipeline and its ability to deliver five million tons to us. Naturally, if Hungary has the means to pay for that amount. Expanding the export of goods and services is necessary to bring this to fruition. It is for this reason that we should work hard for an export offensive, because that is the foundation for economic independence and the ability to maneuver in the international economy. With a small domestic market, and one that will be shrinking in the short term to boot, exports are the decisive factor in the dynamics. Last but not least, maintaining the ability to make payments and expanding imports needed for modernization depend on export output. On the other hand, it is the economic policy which is impeding this, and it does not serve the interests of the country.

POLAND

Prospects, Methods for Trade With USSR

91EP0292C Warsaw RZECZPOSPOLITA
(ECONOMY AND LAW supplement) in Polish
22 Jan 91 p II

[Article by Danuta Walewska: "How To Do Business With the USSR: Help Not Available for Everyone"]

[Text] World prices and convertible currency go into effect for trade with the Soviet Union as of 1 January of this year. The problem with this plan is that our exporters' traditional partners either do not have such currencies or may receive them, but nobody knows when or how much.

What awaits us on the Soviet market? What sort of ways will have to be employed to remain there? What are our prospects on this market? Andrzej Lubbe, undersecretary of state at the Central Planning Agency, answered these questions. "The conditions of trade with the Soviet Union in 1991 will be very specific and very inconvenient for both sides. This is partly the result of the difficult economic situation both countries face, but the major cause is the instability of the USSR's economic system.

"The very shift to the system of current world prices and clearing in convertible currency makes things very difficult. I do not think that the difficulties and the scale of the negative phenomena bound to accompany the sudden shift to this system are fully appreciated in the USSR. This applies in particular to the Soviet economy, which is strongly centralized and in a constant state of permanent rebuilding.

"This is accompanied by a complete lack of experience in conducting trade according to these principles in the

USSR (except at the center) along with our companies' very limited capacity to extend credit to buyers, which is particularly important in exporting industrial goods. The old system has been abolished. The new one has not even come into being on paper yet. The system is forever changing. Recent decisions, such as President Gorbachev's decree on 2 November, centralizing very strongly the system of foreign exchange clearing of accounts and recent attempts to limit the republics' economic independence, which had been previously supported, are reversing the previous trend. What this system will look like at mid-year is therefore still an unknown.

"Unfortunately the asymmetry in the systems of our economies is getting worse. Under conditions of economic instability, and, in the USSR, political instability as well, this will make economic contacts very difficult, although both sides are obviously interested in keeping trade going. We are linked by not only our geographical situation but also by economic systems that complement and supplement one other to a great extent. In a certain sense we are therefore doomed to cooperate, but only in a certain sense. The worsening asymmetry is effectively destroying the traditional bonds. A serious decline in trade is inevitable.

"According to the optimistic variant, if we assume that the economic system in the USSR stabilizes within a year, this will be a transitional year, with the features characteristic of such a period: changing conditions, tensions, imbalance, and debt. But if the stabilization of the system in the USSR involves its deliberate centralization, this will not necessarily have a stabilizing influence on our trade. Independent companies, especially the small ones, have always had problems trading with a country that has a strongly centralized economy, and it is just such companies on our side that have recently been the most active on the Soviet market, and many of them are doing quite well. This stabilization can even harm these firms, at least in the short run.

"This will therefore be a difficult year for everyone, especially during the first half. We can only hope that this year will be atypical."

This is already mid-January. How do leading Polish exporters view the situation today? Here are their views:

Bumar (Koszalin), Director Piotr Hyra: "Our situation is not all that bad. We know that our old partners are still interested, but they have the same problems that other Soviet companies do, the lack of foreign exchange. The saving grace for our firm is the fact that 20 of the machines we produce have wound up the the 'indicator' list, therefore in the near future we have assurance of export. We signed agreements to supply spare parts for the machines we exported in prior years. We are trying to maintain contacts with all the customers who have bought machines from us at one time or another. We know that now they will be needing spare parts.

"The new activation of the domestic market comes as good news too. Now we do not have any problem selling production for the next seven months. After this, it should become clear what is happening on the Soviet market."

ELWRO (Wroclaw), Wanda Rozewicz, director of the Foreign Trade Office: "The products our company exports are not on the list, but up until now we have been selling about 25 percent of our production to the Soviet Union. It's too early to tell yet whether things are going to go well or badly. We know that barter [trade] will have to come to the rescue. What will we be able to import in exchange for our computers? We do not know yet. We did this last year, and we had problems too. There are fewer and fewer items that you can import from the Soviet Union. When we did finally manage to find something that would be easy to sell in Poland, it turned out that they would stop issuing an export license for it. That is the way it is now too. So we have to figure out something and look for other forms of cooperation."

"We already have an expanded network of agents. We are thinking about opening up more ELWRO offices, in addition to the ones in Moscow and Kiev. We are using different methods to find customers. We are setting up symposiums and conferences. We are trying to extend ourselves here and interest new customers. The contract with the Ukraine is a result of this new approach. In the Ukraine we found Ukrainske Sheyk, a rich company that is sponsoring various investments in schools and hospitals. Through this company we will most probably be able to export our products to equip Ukrainian hospitals and schools in need of microcomputers. We will most likely be buying gas in exchange."

"Sheyk has the largest Ukrainian plants for processing crude oil. It has expressed the desire to buy tanks from Poland. ELWRO will act as intermediary. So we are gradually changing from an electronics plant into a foreign trade office, but this is the only way to survive. At any rate, there is interest. The contracts are to appear in the very near future."

MERA ELZAB, Director Jerzy Bierat: "We were lucky, because part of our production traditionally exported to the USSR wound up on the list. So, we are talking about microcomputer monitors, although we hope that foreign exchange from the central budget will be found. We knew, though, that for our products to be competitive, we too would have to do something. So we entered into close cooperation with a partner from the Far East (Taiwan), and we already know that these microcomputers will be our major export in 1991."

"Part of the production we exported at one time will be sold domestically, but this is far less than we once exported to the USSR. At any rate, we are trying all the time to come out with new products that might be easier to sell. We do not intend to give up. I see the future of my company laying in cooperating with a foreign partner, preferably one in the Far East."

Warynski Plants (Warsaw): "We are not giving out information to the press. We have been listening. We do not have anything to say yet. Even on television we were very cautious."

Minister on Central Planning Administration Role
91EP0293A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 4 Feb 91 p 1

[Interview with Minister Jerzy Eysymontt, director of the Central Planning Administration, by Malgorzata Szyszlo; place and date not given: "Fewer Certainties, More Question Marks"]

[Text] [Szyszlo] Most of your professional career has been associated with central planning. Do your experience and knowledge about the role of central planning in a socialist economy serve you today in the changing conditions of the economy's operation?

[Eysymontt] Yes, but in a rather negative sense. Fortunately, central planning is behind us. But my experience has two aspects. For most of the time I worked in the data processing center, having had the opportunity to become familiar with the building of modern information systems, and that knowledge is useful to me to this day. On the other hand, when it comes to planning in the sense that was characteristic of a demand-distribution economy, it was a lesson in the operation of that kind of economy. Because of this, I became convinced and certain that this is an economy that can lead neither to prosperity, nor to efficiency, nor to competitiveness. On the contrary, it is an extremely wasteful economy.

[Szyszlo] What role will the Central Planning Administration [CUP] play in moving to a market economy?

[Eysymontt] The role of such an office should be seen in two aspects: a certain transitional period, which is often called the transformation period, and then a mature market economy. We do not yet have a market economy today. We have a system that is far from stable, insufficiently defined, requiring specific intervention by the state. In my opinion, the kind that would accelerate the processes of change, including demonopolization and deconcentration.

In the transitional period I see as especially important the observational factor, which is also called monitoring. It is based on observation of the dynamics of change. It requires applying rather different methods and seeking other sources of information, not traditionally used in a demand-distribution economy. We will try to reconstruct, complete, and perfect this system. It should serve many users—the government, parliament, the office of president, and society.

[Szyszlo] Society?

[Eysymontt] Of course. A democratic society should be honestly and competently informed about the course of economic processes, about successes and setbacks, as well as dangers.

Going back to CUP's rule, next is the function of projecting directions for development. A strategy of development requires a perspective and vision presented on a broad background and in a broad context. Not only an economic but a sociopolitical one. There are problems that cannot be solved in a short period with only the help of typical market activities. Problems such as creating a modern infrastructure or solving the ever more important problem of environmental protection, not only on a national scale, but also in a sense transcending the state.

[Szyszlo] In the context of the issues with which CUP deals in part, its name is inadequate, because it is associated with an economic system of which we have disposed and we do not want to go back to it.

[Eysymontt] Yes, I believe the name will soon be changed.

[Szyszlo] To what?

[Eysymontt] We offered three suggestions. We will see which will be chosen by the prime minister.

[Szyszlo] You talked about predicting and projecting an economic strategy. Would it not be better if not just one office but several were to be involved in this, on the basis of competition.

[Eysymontt] Naturally, I do not believe there is a monopoly on the "one right cause." In my opinion, though, there should be a state office that, not by itself, but using other analyses, would give an answer on a specific subject. We have, after all, many institutes and research centers; we have capable people with good ideas. Someone should assemble this or at least know where these interesting proposals can be found.

[Szyszlo] A foretaste of predicting the country's economic development was visible during the deputies' discussion on the budget. You do not agree with several of the provisions adopted in the documents examined.

[Eysymontt] A budget is a routine undertaking; it applies to a year and often is subject to modifications in an even shorter time. It is based on certain elements of economic strategy, because strategy reaches farther, goes well beyond budgetary problems.

[Szyszlo] But your office participated in drafting the budget bill.

[Eysymontt] The minister of finance is responsible for the budget. CUP, on the other hand, cooperates in working out the terms of the state's socioeconomic policy. This is something on which the budget, in a certain sense, is based.

My "not agreeing" concerns two important elements about the nature of predictions. They are: a forecast of the dimensions of inflation and the dynamics of the growth in production and national income. On these two elements, in an essential way, the construction of the State Budget is based. If the prognosis proves to be inaccurate, we can be facing a serious problem. And the prognosis for inflation, in my opinion, is too optimistic.

The forecast for growth in production and national income is also too optimistic. I would be very happy if I were wrong. Nevertheless, I believe that we should be prepared for the worst. I expressed this at a session of the Council of Ministers, in announcing a warmly received project on the need to introduce today analytical research work that would, in the event of a less favorable turn of events, quick preparation of an average version of the budget.

[Szyszlo] What kind of inflation do you foresee?

[Eysymontt] I have not conducted any research. It is more of an intuitive certainty. In my opinion, the predictions that talk about inflation on the order of 100 to 200 percent annually are closer to being fulfilled. But one should remember that a prognosis is only a prognosis and very rarely does it hit the mark. I do not generally detract from the financial policy proposed by the Ministry of finance. But I do point out that the state, in the situation in which it finds itself, should be prepared to act under less favorable variants as well.

[Szyszlo] Can one also apply this to the assumption of a four percent increase in national income noted in the construction of the budget?

[Eysymontt] Unfortunately, yes. Although I believe it is possible. I even think that under the optimistic variant, this rate could be higher by one to one and one-half points, e.g., if the growth of the private sector significantly exceeds that achieved last year, but one must remember that this growth was slowed by tax policy, among other things. The scale of uncertainty is great. So one must also consider the variant of quasi-stagnation, where growth lies in the range of zero to one percent. That is virtual stagnation and that is how it is felt by society. In this situation, the basis of state budget revenues changes. Given this lower production, the inflow of revenues from taxes is lower.

[Szyszlo] In constructing the budget, a price of oil at \$30 a barrel was assumed. Now—and this is good for the budget—it is a few dollar less. So should a correction not be made already?

[Eysymontt] On this question, I believe that one cannot predict anything certain for now. The conflict in the Persian Gulf goes on. We are operating under conditions of great uncertainty. Of course, we must also consider the worst variants. Mathematicians call this the minimax strategy; we look for maximum returns under the worst circumstances that could arise. History teaches that the worse circumstances, unfortunately, occur fairly often.

[Szyszlo] So many question marks remain; how will economic processes run this year?

[Eysymontt] It is true that the number of certainties are fewer than the question marks. Poland finds itself in the beginning stage of moving from one system to another. In addition, it finds itself in a destabilized environment. What is happening in the east brings us many uncertainties, as well as real dangers. An additional factor is the unstable socioeconomic situation in our country. Admittedly, we have a democratically elected president, we are also facing parliamentary elections.

So the government has a short horizon of action in relative certainty. These elements must be taken into consideration. An economic politician does not work in a void. He operates in a specific political space. And if one does not take this into account and adopts only the position of an expert economist, this is an unrealistic attitude. The expert advises; the politician must make decisions. And in order to make decisions, he must reckon with that which runs beyond his professional knowledge.

[Szyszlo] Thank you for the interview.

Needs of State Farms, Privatization Discussed

91EP0293C Warsaw *RZECZPOSPOLITA*
(*ECONOMY AND LAW* supplement) in Polish
1 Feb 91 p II

[Article by Edmund Szot: "Privatization but Not Breaking Up: The PGR [State Farms] Future"]

[Text] The reason for this meeting, Minister of Agriculture and Food Industries Adam Tanski judged after its conclusion, was the current general uncertainty in the state sector, which has affected State Farms [PGR] especially, because a series of irresponsible announcements about breaking them up has appeared. Yet state enterprises were in agriculture before the war too, and the current leadership of the department does not intend to destroy the PGR. We want to remove from this sector the odium of an instrument of the political game, because its use in that role at one time is taking its revenge to this day.

Representatives of two union organizations operating the PGR—the Federation of Agricultural Workers Trade Unions [ZZPR] and the National Section of Agricultural Workers of NSZZ [Independent Self-Governing Trade Union] Solidarity—received the intentions of the department's leadership with satisfaction, but at the informational meeting—because that was its nature—they obtain fewer specific answers than they expected.

What do PGR personnel require? First of all, a different credit policy toward agriculture, an improvement in the relationship between prices of agricultural products and the prices of the means of production, freedom from the obligation to pay dividends, and a clear definition of future prospects. These requirements were voiced by

Kazimierz Iwaniec, chairman of the ZZPR federation. The chairman of the other union operating at the PGR (NSZZ Solidarity), Stanislaw Uminski, supplemented this list with the requirement of a platform for agricultural policy and a package of legislation, including laws on the PGR, where the place of this form of management in agriculture is clearly defined.

The wishes of the union organizations surpass—as one can see—the authority of the minister of agriculture and food industries. He could only inform union members about the possibilities of giving assistance to agriculture anticipated by the government.

Thus, in the next few days preferential credit will be initiated for the purchase of mineral fertilizers at an interest rate at least half as much as that generally prevailing. PGR, the same as other agricultural departments, will be able to use 3.1 trillion zlotys allocated to the restructuring of agriculture. The ministry will express its opinion on postponing payment of dividends to a period following the harvest of agricultural products, as well as [the issue of] flexible treatment of PGR bank debt by tying it to the level of sales of agricultural products.

In the course of the three-hour meeting, there was no time for discussion of the future of the state sector. Undoubtedly, privatization awaits the PGR, but it is not known precisely on what bases this will take place. It is known only that it must be done quickly. In any case, Minister Adam Tanski asserted, there is no question of breaking up agricultural enterprises.

Balcerowicz, Associate Reformers Characterized

91EP0299A Hamburg *DER SPIEGEL* in German
18 Feb 91 pp 162-167

[Article by *DER SPIEGEL* editor Joachim Preuss: "The Important Thing Is To Hang On"]

[Text] His friends call him a genius. At first glance he really does look somewhat otherworldly. The shirt collar is too wide, the glasses too large, the medium-height, slim figure looks rather lost in his office, the gigantic dimensions of which recall the heyday of Stalinism. The grown man wears the bushy hairstyle of the now adult wunderkind.

Leszek Balcerowicz, 44, is a professor of economics. Since finishing school, this Pole has researched, talked about, and described the nature of economics. When his government called upon him, he was just about to leave for a teaching assignment at Leeds in England. Before assenting, he reflected for a day and a night. Since then he has been in charge of this century's most ambitious economic project, the restructuring of communism into capitalism.

Poland's Finance Minister Balcerowicz and his aides are the most ruthless reformers in the Eastern Bloc. While Mikhail Gorbachev recoils and the change in the east of Germany proceeds painfully—despite the soothing

application of many billions of German marks [DM]—the transformation in Poland is taking place without anesthesia. Balcerowicz radically cut tax relief and subsidies, raised interest rates and imposed high taxes on wage increases. At the same time this shock therapist freed almost all prices. The state that had hitherto doled out diverse commodities and services, suddenly ceded the entire economy to the market.

Traditional politicians would hardly have dared to change the system. Anyone who depends on public opinion polls or follows the moods of his voters would have been bound to back off: Lech Walesa, at the time still the tribune of the people and not the president of the state, warned that "he who touches prices risks his power."

Balcerowicz's daring to tackle the experiment is due less to heroism than to the advantage of a blinkered expert: He had reflected on the matter, considered it correct in economic terms, and then it was put into practice. He evaluates the situation without modification, without noticeable excitement: "There is no other possibility. The most important thing is to hang on. If we were to stop, we would have to start over again, and in worse circumstances." Balcerowicz's severity is rooted entirely in totalitarian modes of thought. In 1969, shortly after Soviet tanks terrorized Prague, the 22-year old joined the Polish Communist Party. Even in the late 1970's, having studied in New York for two years, he searched for a way out of the economic dilemma in the Institute for the Basic Problems of Marxism-Leninism.

The old rulers did not wish to listen to him. Now he is carrying out his program with the particularly pronounced self-confidence of the convert.

In the new government, the finance minister is the sole deputy of Prime Minister Bielecki. Everybody in Poland knows that he decides on the direction of policy, regardless of who is the head of government. When Lech Walesa wished to appoint him prime minister, Balcerowicz refused.

His cost-profit analysis had shown that pressing the flesh, speeches from the balcony, political balancing acts or similar tasks of a head of government would merely distract him from his goal. When the new government took up positions for the group photograph, the finance minister—once a renowned middle-distance runner—stood at the outside edge, engaged in animated talk with the minister for privatization: Even looking at the photographer ranks as a waste of time.

He appears not to hear the question, whether the Polish experiment is, indeed, successful or not. For him, the answer is a given. He is only interested in the details of the progress of developments.

Balcerowicz's explanations resemble the manner in which an entomologist uses tweezers to turn over an object of study: He would have preferred to have a rather lower inflation rate; he admits satisfaction with the

progress of privatization; the important thing now is for the West to forgive debts and inject capital into Poland.

It is quite impossible to arrive at definite forecasts concerning the consequences of the Balcerowicz policy for Poland's economy.

His opponents claim that production has declined by 25 percent. His partisans admit that this is quite correct, but plead that the statistics deal only with state enterprises—output has actually risen in the private economy. His opponents say that living standards have declined by 30 percent. Balcerowicz enthusiasts, on the other hand, maintain that this is so only when measured by the hyperinflationary salaries of 1989. By comparison with 1987, real salaries have dropped by only 2 percent.

It is a fact that the long lines in front of shops have disappeared, and that the zloty has turned into a stable currency. There is no black market in money in Poland—as there is in the Soviet Union. In October 1987, the average Polish salary was worth \$40 on the black market. Now it is worth at least \$140.

Will the Poles manage to achieve success? "Of course we will," Slavomir Sikora asserts. The 29-year old economist is a member of the intimate Balcerowicz entourage and responsible in the finance ministry for the establishment of private banks and insurance companies.

In contrast, for instance, to the imprisoned young academics in the GDR, Sikora profited from the more easygoing climate in Poland even at the university. Books by the intellectual fathers of the market economy, such as Joseph Schumpeter and John Maynard Keynes, stood openly next to those by Karl Marx in the university libraries. "Friedman," he smiles, "was the only one we had to do a bit of looking for."

Milton Friedman, the conservative U.S. economist and guru of Margaret Thatcher's and Ronald Reagan's economic advisers, is particularly highly regarded in Warsaw. The social democratic idea that the state should soften the pitiless law of the market, has no friends in Poland. In the Finance Ministry, where the directors wear parkas, the state is the enemy pure and simple. Balcerowicz's slogan prevails: "Private entrepreneurs are the most effective."

Sikora considers from only one aspect the fact that Milton Friedman provided economic advice to Chile's dictator Pinochet: "Well, does not Chile have a sound economy?"

The financial managers of the great transformation are the ideological kin of Count Otto von Lamsdorff. Balcerowicz playfully uses the German word "Ordnungspolitik" [regulative policy]. Sikora was in Cologne writing his dissertation on Ludwig Erhard, when he got a telephone call from Warsaw: "The fairy tale we had discussed so often, had become reality."

Now, after a little more than a year, high expectations have yielded to nervous pressure. Arduous daily life

limps behind the great departure. "People are expecting so much so quickly," Sikora says. The emotional chasm between the promise and the reality is hard to bear.

Year one of the Polish revolution "counts for at least three years, everything goes so fast and is so complex." The greatest change has been in his attitude to the bureaucracy. Formerly it looked to him from afar like a gray and reluctant mass. Now, up close, he considers it unjust for "the people to hate the bureaucracy." After all, the latter had "to deal at one and the same time with old and new phenomena."

By now Slavomir Sikora has issued licenses to 55 banks, allowing them to open their doors. Unfortunately, none of the foreign banks has so far done that, although they are the most important ones. The reason? The central Warsaw administration does not make either sites or buildings available. Even American Express, one of the largest U.S. banks, has not yet managed to find a suitable location.

Foreign businessmen sarcastically talk about the classic building in the centre of Warsaw that used to house the Polish National Bank about 100 years ago. The representatives of international financial institutions hungrily eyed the architectural jewel. And now? The city administration has leased the premises to a gallery rather than to a bank.

Balcerowicz knows that story: "Oh yes, that is so-called 'Polish efficiency.'" He uses the German term, smiling sadly the while. Such prejudices help scare off Western capital that is timidly sniffing around the Polish experiment. The finance minister quickly changes to another topic that lends the transformation in Poland a special symbolism: "Do you know where our stock exchange is located?"

On 30 March, the heart of capitalist Poland will begin to beat at the best central Warsaw location: The stock exchange will reopen after 51 years.

A few renovations are still needed in the premises. There is the smell of fresh paint, the parquet floor is freshly polished, air conditioning is to provide an agreeable temperature even when the situation on the market is boiling over.

Only a 20 cm platform will remain as a reminder of the former users of the premises. For decades past, Poland's various Communist Party leaders presided over the Politburo, where, in future, stockbrokers will note the daily stock movements for all the world to see.

Wieslaw Rozlucki, Balcerowicz's stock exchange man, frankly declares himself "a gambler." He is also an academic economist and familiar with the West. Rozlucki studied in London and learned about the attractions of playing the exchange. At the Lyon (France) stock exchange, he found partners who are helping him to build up the Warsaw exchange.

Nothing is so crucial for the Poles as the infusion of foreign money. Alexander Mueller says: "Our economy is like a turtle lying on its back. Only foreign capital can help us turn right side up."

This amicable older gentleman has recently been elected on the Solidarity ticket to be the rector of the Main School of Planning and Statistics [now Main School of Commerce as of fall 1990]. This is where it all began. In, of all places, the cadre forge of the old system, Leszek Balcerowicz and his followers began quite calmly to compare international economic systems. This is where the children of the communist elite studied, so that they might have a brighter future—and in the end they proceeded to the intellectual overthrow of the planned economy.

Mueller says: In the beginning "we attacked the economic system of socialism, without attacking socialism, or at least that is what we thought." Balcerowicz is said to have slowly completed the intellectual transformation under the protecting umbrella of the school. "We were amazed when we finally realized that socialist democracy bears the same relationship to democracy as an electric chair to a chair."

The professor's images lose their force when he describes the present situation. First of all the Gulf war and rising oil prices, second the collapse of trade with the Soviet Union, third the exhaustion of the people: The Balcerowicz plan is in greater danger than ever. Nevertheless, he strongly advised Lech Walesa (who knows nothing of economics and among whose advisers he is) to keep the finance minister in office. "His departure would be a disaster for our standing in the world."

That means primarily the gentlemen in blue suits who, from time to time, bring a whiff of Wall Street into the Warsaw Ministry of Finance: On behalf of the International Monetary Fund, they check the latest figures stored on Wojtek Misiag's computer.

The state secretary who is also budget chief for this economic experiment of the century, has a very puzzling persona: As regards clothes and haircut, he makes no concession to his office. As soon as he starts talking of his job, this survivor of 1968 turns into a prophet with burning eyes.

Misiag goes back to Balcerowicz's immediate circle at the university. This same group now meets once a week in a room at the Ministry of Finance to coordinate the various decrees and, over and over again, compare theory and practice. Misiag says that it is necessary just to make sure that "no more than three people talk at once."

The state secretary has a doctorate in econometrics. People who are devoted to the exact measurement of economic processes generally do better to remain at the university. Chain smoker Misiag could not stand it. According to him: "It is my greatest achievement to have realized that not everything can be measured."

Misiag is on the best of terms with the gentlemen of the Monetary Fund, whose loan approvals depend on the state secretary's figures. The alliance of the technocrats operates worldwide. "Last year we had to fight inflation without driving the people to the barricades," that is how Misiag explains the crazy year of 1990. This year it is vital to reverse the economic decline. "I am now more familiar with my job," the state secretary says, pointing to his computer, "but we are going in another direction."

Compared with the lack of direction—at least of the economic sciences—in the GDR, the confident sense of purpose of the Polish leadership is quite surprising. Balcerowicz makes fun of his western neighbors: "They thought theirs was the only country where socialism worked."

A few rooms away from the budget chief, Misiag, and his computer, Stefan Kawalec—acting as Balcerowicz's "general secretary"—takes a slim volume from the bookcase. "The Privatization of the Polish Economy" is a kind of film script detailing the second phase of the experiment. Kawalec, a mathematician by training, was a brilliant latecomer to economics. At the time of Poland's emergency status, he was imprisoned for six months for being a member of the KOR [Workers Defense Committee] civil rights movement. He comments dryly: "I never before had such a good opportunity for study." When General Jaruzelski loosened the reins, Kawalec was permitted to attend the Main School of Planning and Statistics and, for six years, as a member of Balcerowicz's inner circle of about 15, researched the most promising path for Poland's future.

The group explored economic reality in the factories, did not "ask for opinions," but "for facts." At that time Balcerowicz, Kawalec, and the other economic revolutionaries also answered "the only important question, which occupied us all the time": Should the command system be succeeded by worker self-government on the Yugoslav model or by a Western-style entrepreneurial system?

The answer may be found on the 13th floor of the Marriott skyscraper in the center of Warsaw, for example: Tadeusz Rusiecki is the head of one of those all-purpose companies that—typically for postsocialism—provide almost every service or commodity, and have the address of everybody who matters. "There is Balcerowicz, and then everybody else in the world," he enthuses.

Rusiecki has collected the articles written by his idol and fluently recounts the genesis of the first Polish entrepreneur-millionaires. In his first exuberance he even established some companies in the Soviet Union. He is just back from there, depressed and electrified at one and the same time: "Russia will always remain the way it is, but we will make it, we always had to save ourselves."

Higher Interest Rates for Loans, Deposits

91EP0293B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 26-27 Jan 91 p 1

[Article by Piotr Aleksandrowicz: "As of 1 February, Higher Interest Rates"]

[Text] As we have learned from circles closest to the central bank, as of 1 February the prime rate of the Polish National Bank [NBP]—the refinance credit rate—will be increased to 72 percent annually. This will be the third upward change in the past several months. As of November the prime rate stood at 55 percent.

The increase in the prime rate by the central bank means in practice that interest on loans and deposits will change in the banking system. It may increase at exactly the same rate, in percentage points, or perhaps somewhat differently. Knowing our banking system, a difference will occur, but it will not be too substantial.

Essentially, the situation in the credit market and the level of interest rates should be set by the tendency to save on the one hand, and the demand for credit on the other. That is why in a market economy, the central bank and, in its wake, the commercial banks are guided primarily by the criterion of supply and demand, and it usually happens that interest on loans and deposits is then positive in real terms. However, in some countries the difference is moderate and in others very substantial; for example, interest on deposits is about 15 percent, with inflation at the level of just eight to nine percent.

In Poland, the situation is a bit different. The central bank's prime rate has very serious implications and the commercial banks conform to it strictly, although they do not always have to. Meanwhile, the key question of the practicability of interest rates is neglected.

The prime rate—the refinance credit rate—set independently by the central bank, was positive in real terms in the second quarter of last year. From March to June, one could practically not lose on savings, and credit was relatively expensive. It is characteristic that at that time other instruments limiting the demand for credit were not necessary. The level of required reserves of the banks in the NBP could be relatively low and credit ceilings were not used. The situation changed in the second half of last year. As of September, the real interest rate became negative and excessive demand for credit was limited—in an attempt to decrease the money supply—by raising the level of required reserves and credit ceilings.

At the same time, the NBP raised the prime rate slightly. Practice has shown that despite this, quantitative objectives for domestic assets and credit have not been met.

January brought a sudden intensification of the situation. Inflation is currently at about 10 to 12 percent a month, and interest at barely four to five percent, in compound terms. The prospects for February are similar.

Today it remains an open question whether increasing interest rates as of 1 February will be enough. One may presume that for short term investments—of several months—interest at commercial banks will reach 75 to 80 percent. It appears that this level is not enough compensation for losses incurred by savers in January, and it may also prove inadequate to ensure the real value of deposits in February.

Bankers agree that the interest rate should be positive in real terms, over a longer period of time, six months, for example. That is how the moderate changes in interest rates in October and November were explained. Practice shows that, in fact, for several months inflation has an accelerating trend and bank clients above all lose on this. It may be similar this time too.

But if one accepts optimistically that in March and following months inflation will fall below four percent, then it is necessary to maintain a high positive rate in order to stabilize a monetarily correct situation. Only if it turns out that the demand for credit were to fall suddenly and banks were to have problems investing their acquired funds should a certain decrease in interest rates be considered.

The anticipated increase in interest rates may, as has happened previously, encounter a charge of causing or provoking a recession. There is no doubt that it is not said at all that in February or even March there will be a positive rate in real terms. It is worth recalling that state enterprises have delayed reactions to changes in interest rates and their flexibility is very modest.

Manipulation of interest rates cannot replace a cohesive, comprehensive and ably executed credit, money, and income policy. The sources of inflation are varied and certainly do not lie only in monetary policy. If real wages and incomes continue to increase rapidly, as was the case in the second half of last year, then even a tight money policy may not suffice, nor would a change in interest rates. Moving interest rates to real levels is therefore a necessary but inadequate condition for controlling inflation.

Use of Vistula for Hydraulic Energy Discussed

91EP0287A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 16 Jan 91 p III

[Article by Michal Wrzesniak, director, Foreign Trade Enterprise Elektrim Ltd.: "Energy and Ecological Rationale"]

[Text] In discussing directions of changes in the field of environmental protection in Poland, we cannot ignore hydropower which, after all, uses renewable and clean sources of energy and at the same time effects an improvement in the water balance of Poland.

Hydropower which is referred to as white coal is a national treasure and even a pillar of prosperity for many countries of the world—everywhere where conditions

have been created for water to work for the benefit of man, that is, wherever hydropower stations have been built. An improvement in environmental protection in Poland may be achieved by using the energy potential of Polish rivers. This is all the more advisable and feasible because this potential is not too big, and therefore is all the more valuable, and should not be wasted unproductively anymore.

Due to both ecological and energy considerations, a group of power stations with a capacity of about 1,000 MW referred to as the Lower Vistula Cascade would undoubtedly be the most significant in this matter. However, a lack of capital, among other things, makes the use of the natural wealth contained in the waters of the largest Polish river impossible.

This is why Poland is the only country in Europe in which the natural wealth contained in river waters is not used, with the consequences being apparent both for the economy and ecology, and the standard of living of society. The cascade would be significant in many ways both for the power industry and for sectors of the national economy—transportation, water management, agriculture, forestry, fishery, and broadly interpreted environmental protection.

By producing about 3.5 GWh of the cheapest electricity annually, the cascade would generate net national income the magnitude of which may be estimated to be between \$300 and \$400 million annually for several decades with virtually a minimum of outlay, without raw material input, or outlay for labor. This cascade would generate power of a special nature for covering the so-called peak energy demand and for emergency power the prices of which are many times higher than tariff-based electricity rates. This power is particularly necessary for the Polish economy; hence the exceptional significance of this investment project for the Polish power industry.

We should note that producing about 3.5 GWh of electricity by using the waters of the Vistula amounts to saving about 3 million tons of coal a year, which would otherwise be mined and burned in power boilers in order to obtain the same amount of electricity. This makes it possible to likewise secure additional proceeds in mining on the order of \$200 million (annually) for many years, to say nothing about outlays for sulfur-scrubbing equipment for thermal power stations burning these 3 million tons of coal. The economic effects of the cascade would be considerably higher because we should add to them savings due to creating a waterway from Warsaw to Gdansk for river craft, eliminating the standby reserve in thermal power generation (this would improve the efficiency of power stations and result in additional savings of coal which has so far been burned unproductively in the power stations of our country), and increasing the efficiency of agriculture, fishery, and forestry in areas affected by water management projects.

The most important point of this project may be the fact that all proceeds and profits from, for example, the sale of electricity or the coal saved, as well as other, indirect proceeds, for example, in the form of taxes and fees, after obligations based on investment are taken into account, may be earmarked for cleaning the waters of the Vistula. [This should include], among other things, the construction of sewage treatment facilities, and purchasing technologies, and building facilities for the desalination of mine waters and their conditioning.

Waters of the Vistula cleaned of dirt, industrial and communal sewage, and salt would pose less and less of an ecological threat for the entire Baltic Sea with every passing year, and Poland would have more clean and healthy water. Water is becoming an increasingly valuable national asset. It will become a constraint on the growth of civilization and economics in countries which attach marginal significance to the use and management of local waters.

The cascade does not require moving the population or withholding from agriculture the best soils adjacent to rivers. Power stations of a river hydro-plant type would be built, and the accumulation of water could occur within the confines of existing flood control levees which are flooded by water every year anyway. The issue of the number of stages in the cascade and the height of backwater at individual stages may be so resolved as to take into account the considerations of ecologists as early as the stage of creating the concept which could be termed ecological. Such an ecological concept is possible and realistic.

It is undoubtedly necessary to look at the issues of developing the power industry and protecting the natural environment in a somewhat detached manner. They should become synonymous with differences and divergent interests of individual lobbies.

It would be a great loss for Poland if we were to quarrel and split into those who are against building thermal power stations, others who are against nuclear power stations, and yet others who object to hydropower stations, and all of us together would bring down the government for its failure to solve the energy problems of our country and improve the natural environment. Unfortunately, wind, sun, and thermal springs will not solve this problem either.

Environmental protection calls for spending very considerable funds on investment projects which are unproductive and do not generate profits in the direct meaning of the word. Therefore, we should let the river generate this money. In addition, the construction of individual dams of the cascade will cause an economic boom along the entire segment of the Vistula from Warsaw to Gdansk which is several hundred kilometers long. This will cause an increase in labor force participation and the affluence of the populace residing on both banks of the

Vistula in conjunction with the influx of modern technology and capital. I believe that we can count on financial assistance from abroad.

Foreign banks and organizations may be interested in investing in the Lower Vistula Cascade because it provides an opportunity for the recoupment of funds and guarantees that funds spent in this manner will not be wasted. In the absence of financial support from abroad there is no opportunity to clean up the water of the Vistula. Consequently, it is almost certain that the Baltic Sea will not be cleaned up for a long time to come, and will keep dying despite our best intentions to prevent it and the steps we are taking.

Holding Companies for Coal Mines Proposed

91EP0292B Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 25 Jan 91 p 1

[Article by Zbigniew Wyczęsany: "Coal Holding Companies"]

[Text] A short, composite report on the Polish mining industry is needed to describe its strongest and weakest aspects today, and, insofar as a forecast is concerned, the report should describe the foreseeable dangers and opportunities for development, according to Industry Minister Andrzej Zawislak, speaking at a meeting of the Supreme Council of the State Hard Coal Agency [PAWK]. Minister Kawislak declared himself an advocate of reform in this branch of the economy, especially in terms of changes in the ownership and management structure. The holding company could be a form of ownership expressing these changes. Economic theory, after all, will be a force creating optimal new management structures in the mining industry.

For the moment there are no legal regulations clear enough for this process to be conducted yet. Nonetheless, members of the PAWK supreme council at the meeting chaired by Prof. Andrzej Lisowski approved the holding company model itself as suitable for the coal mining industry in Poland. They did not approve maintaining the past organizational system in the mining industry, even with the introduction of a differential income; it simply is not possible in practical terms. The mining experts also discussed the concept of a government coal company, but it was not approved either.

Tadeusz Demel, the agency's general director, presented in detail the concept of a holding company in the coal mining industry. It is a question of having the mines transformed into a single-person company of the State Treasury, forming a company with PAWK, while remaining independent. This would be a base company, that is, a company of companies or "mother company." With the shareholders' approval, it will handle the functions of coordination, supervision, and financing of major investments, and so on. In particular, the holding company is to insure that shareholders receive a certain profit and that the mines under its economic control (through stock or share packages) have their coal sold at

favorable prices, receive funds for profitable investments, and have insurance protection, and so on. With its shares in the mining companies, the base company, through its representatives sitting on the companies' administrations and supervising councils, would have an influence in bring about effective work in the mines without, at the same time, reducing their independence.

The holding company is an organizational form used in the coal industry in highly developed countries. There is the chance that this form can be introduced quickly in Poland as well. The important thing will be for the very management and economic model developed for mining to fit the forms in the European Community too.

Appliance Costs Rise to Level of Import Models

91EP0292A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 25 Jan 91 p 1

[Article by Anna Sielanko and Ewa Zychowicz: "Imports Heating Up Polar: Prices Rise, Demand Declines"]

[Text] It has not been just the food stores that have changed beyond recognition during the past few months. Industrial stores have too. The sight of displays filled with household equipment, for example, is pleasing to the eye. A store located in the center of the capital, on Zurawa Street, offers a choice of automatic washing machines, the domestically produced Polar, as well as English and German models. There are Polish, Soviet, Danish, and German refrigerators, gas stoves, and dishwashers.

Behind the store there is competition in the form of street vendors. Right on the sidewalk, one can buy, for example, a two-door Minsk brand refrigerator or a German automatic washer. The Centrum stores have six types of washers and an even larger assortment of refrigerators. There is no shortage of equipment in the smaller towns either.

The market has lots of vacuum cleaners, food processors, irons, and coffee grinders, but business people say that things are worse with this equipment than with the larger items. Domestic producers for the most part have a monopoly, and they try to export their products when they have foreign customers. The importation of small appliances handled by private firms is on a decidedly smaller scale.

Household appliance [sales] stood still during the first half of last year, but they became very popular on the market during the latter half of the year. Large amounts of everything sold. Back at the beginning of January this year, according to sales people, the goods went like hot cakes. Things came to a stand still a week ago. Business people explain this as the result of not only the usual January sales slump, but also the rapid price increase, which is occurring literally from one week to the next. Domestic appliances are beginning to cost as much as imported items of equal or better quality.

In the stores, the Luna automatic washer, an item which is certainly out of date, bears a price tag of around 4.5 million zlotys [Z]. The little Diana already costs about Z5.5 million. Meanwhile, a good English washer of approximately the same size costs Z5.3 million, German washers cost Z3.4 million, and an English one with a dryer costs about Z8.5 million. Gas stoves range from Z1,120,000 to Z1,950,000. The price of a Silesia brand refrigerator (220 liters) is Z3,350,000, while a far larger Danish one (314 liters) costs about Z5.5 million.

Why are the plants raising prices? Business people suspect that people employed in the plants want to earn a lot. "At one time the nomenklatura was making money. Now the workers want to," I heard in one of the stores. But this is a shortsighted policy. "Unless the prices stop going up," a sales person complained, "who is going to buy these products?"

Meanwhile the plants producing household appliances are facing a great unknown, because cooperative partners are raising prices. Wroclaw-based Polar, the country's largest producer of washers, refrigerators, and freezers is currently negotiating prices with its chief partners, Eda in Poniatowa and Termex in Swiebodzice. Both partners are promising 40-percent price increases on their products. Then the prices on both washers and refrigerators are bound to go up.

Direct costs will increase too. First of all, power and gas are higher. Many products are fired in gas furnaces. Electric equipment is running at full steam.

February and March are traditionally difficult months at Polar. During this period last year the plants reduced washer production to one-quarter. There was no demand. The 20-percent price hike was concurrent with an increase in food prices. The immediate result was that customers were no longer interested in expensive Polar products. The exceptionally low prices on household appliances imported from the Soviet Union made the situation still worse.

The decline in production remains to this day. The factory is producing half of what it did at the end of 1989. It is not surprising that it is not in a position to satisfy the expectations of all its potential customers.

The plants have a great deal of trouble making good on trade orders placed during the Poznan Fair during the first half of 1991. The bottleneck is still the production of refrigeration equipment. There is not enough money to organize the various stations during the production process. New investments are essential here.

The situation is somewhat better for washer production. At midyear, there is the possibility of hiring new employees, but they will have to be trained, however, there is the possibility of getting quickly out of the production doldrums.

Zelmer in Rzeszow supplies the most sought-after household appliances (vacuum cleaners, food processors,

mixers, and espresso machines). Work there is going on at full steam. Although contracts do not match production, still the problems related to increased manufacturing costs cannot be avoided in this plant either. The factory claims that it will try to avoid price increases, but it will undoubtedly have to give in shortly, in connection with the price increases passed on from cooperative partners.

At the moment, Zelmer is trying to produce inexpensive equipment and supply shops with the largest possible quantities. There is a very wide price range. The least expensive vacuum cleaners cost Z326,000. The most expensive model is the Compact. It has many features and functions, and its shape is elegant. It costs Z940,000 zlotys (wholesale price). Food processors at the factory cost from Z162,000 to Z290,000.

In this instance, the market has great absorption powers. All production disappears from the stores immediately. Zelmer hopes that 1991 will be a good year. The motor factory is starting up and will permit a substantial increase in production. Under the new competitive conditions, production quality will be the greatest problem, because customers are dealing increasingly with equipment from famous Western companies, which are selling their goods for zlotys. A vacuum cleaner or mixer usually takes years to buy, so it may be better to hold off buying, to save up the money and secure goods of the highest quality. For Polish factories this is a great call that they will have to answer.

YUGOSLAVIA

Problems With Liberalized Imports Discussed

91BA0325A Belgrade EKONOMSKA POLITIKA
in Serbo-Croatian 11 Feb 91 pp 19-20

[Article by Davorka Zmijarevic: "Fear of Freedom"]

[Text] Those who have watched the series about the eccentric alien Alf, who liked to telephone and watch television more than anything else, perhaps recall the episode in which his "owner," Tanner, bought a cheap television in an attempt to economize. The television worked for a few hours and then suddenly broke down. The astonished family looked at the label on the back, and learned that the television had been manufactured in Libya. The anger, mostly Alf's, was heaped upon the economizer (who in any case had all the best intentions, etc.), some remarks were aimed at Qadhdhafi, and the end of the episode saw a new television, probably "Made in Japan" or "Made in USA," and that was the end of it. The story is hypothetical, naturally, because Libya probably does not produce televisions, and if it did they would hardly reach the United States, but if the story were real, who in this case would exult the most? Probably the American producers, who would obtain an excellent argument against competition: If you buy cheap (and Libyan televisions, of course, would be

insignificantly cheap, even for American conditions), this is what will happen to you.

If we transferred the story to Yugoslav circumstances, we would have in it at least several more "commentators" and targets for their comments. The first ones, of course, are the domestic producers who would rise up unanimously in defense of the innocent family upon whom unscrupulous importers had foisted such shoddy goods, with the Federal Executive Council allowing them to do that through its unreasonable import policy. The domestic producers would be joined in this by part of the press, which would thus reveal that goods were being imported into the country that were of uncertain and unverified quality, without guarantees, servicing, or certification—all of which the domestic producers have, after all. Thus, for example, when you call service for the repair of some appliance in your apartment, they will schedule a visit in only two or three weeks, and if the appliance is smaller, for example a television, they can take it from you immediately, but only if you bring it in yourself and come for it, also in two or three weeks.

From the experience of some other national industries facing foreign competition in their own backyard, one would expect Yugoslav producers to stress the slogan "Buy Yugoslav," and to begin to cultivate customers psychologically (elsewhere, this is called a marketing approach), assuring them of the better quality of their own products, and their durability, showing them what they gain for their money by choosing their product, or at least calling on them to show patriotic support for domestic industry. But no—industry has begun to cultivate the government psychologically, trying to arouse in it above all a feeling of guilt over the damage allegedly done to them by liberalizing imports, while imports themselves have been given various epithets: excessive, uncontrolled, chaotic.

These adjectives could have some meaning, if one takes into account the shock caused by the fact that imports of consumer goods, which, after all, have always been the smallest part of total imports (about 10 percent) and a negligible part of total trade in the Yugoslav market, increased by 164 percent last year, amounting to \$4,084.3 million. The rates of the increase in imports have not been as high in any sector as in consumer products. Thus, last year \$1,278 million, or 159 percent, more food products were imported than the year before. The rates of the increase in imports of clothing and footwear were astronomical, close to 520 percent, and those for beverages and tobacco were 820 percent. The total share of imported products in this sector, however, was only one-fifth (21.6 percent) of total imports.

"Favoring Imports"

Last year was thus a time when Yugoslavs, at least for a short time, could surrender themselves to freedom of choice, not just in politics, but also in self-service, which is in any case inseparable—but that is a story for another occasion. The liberalization of imports, to which the

federal government gave a significant place in its macroeconomic and overall policy, began back in 1989, soon after the Markovic government came into power. Nevertheless, the complete freeing of imports from administrative procedures and their being left to free initiative began with the introduction of the anti-inflation program at the end of the same year. About 95 percent of purchases abroad were put in the category of free imports; with the declaration of the internal convertibility of the dinar, the foreign exchange system was liberalized as well.

Imports of Consumer Goods in 1990

Category	Amount in millions of U.S. dollars	Index
Total	4,084.3	264.2
Food	1,278.1	259.2
Beverages and tobacco	119.5	919.2
Clothing and footwear	592.6	618.6
Furniture	49.7	257.5
Textiles	70.5	278.7
Medicines and pharmaceuticals	216.3	206.0
Other consumer products	1,757.6	221.1

It was not necessary to wait long for the reaction from the domestic economy and its associates and protectors. When the export boom from the first half of the year was exhausted and when the first financial difficulties appeared in the domestic industry, there began what were first quiet, and then increasingly louder criticisms of the federal government for "favoring imports" at the expense of the domestic economy. Most of the odium was aimed at the fixed exchange rate for the dinar, because of which prices rose as the year advanced—imports were more and more profitable, and thus more intensive. One cannot deny that there is no reason in these criticisms, and that it was not without some reason that domestic industry felt itself to be in an unfavorable position, but the nature of its reaction showed that it had learned little from the new situation. The main argument against the government's policy of opening up was that imports were "let go" too abruptly for industry to be able to adapt to the new circumstances. Nevertheless, the extent to which those imports were really a threat to domestic industry, and only a pretext for its own inability to adjust, can be seen by looking at the data on the share of individual products in the Yugoslav market. For example, let us take into account food products, the imports of which have created a huge uproar, and over which the federal government has almost earned the epithet of the terminator of the domestic food industry and agriculture.

After the interventionary import operation in the middle of last year when prices had already turned upward, data

were compiled on the extent to which the products imported then occupied the domestic market: pork 17 percent, beef 8 percent, chicken 1 percent, and dried meat products, oil, butter, eggs, sugar, and milk, all less than 1 percent. With these data, the stories about the threat to industry and agriculture from import competition would be comical in any other economy that pretends to be called a market economy. *** The producers of household appliances, or more precisely televisions, were in a somewhat different situation; they suffered from foreign competition. According to information from the Yu Dom community of these producers, last year 891,000 color televisions were imported, with domestic production amounting to 320,000. This, however, is the only example of such a high and unfavorable ratio between domestic production and imports, as a result of which the domestic producers were forced to lower prices 40 percent in the course of the year. It is therefore not surprising that it was precisely these producers that were the most vocal in their appeals to the federal government. They all suddenly recalled the unprotected consumer, and talked about the "sell-out" of the domestic market (whatever that was supposed to mean), and about how it also reduced foreign investors' interest in coming to Yugoslavia. Then they mentioned dumping, the "unreasonably" low prices of the imported goods, etc. The calculations of the exporters, however, were inexorable. Belgrade's Interkomerc calculated that 20-inch screen television sets, if bought wholesale in Singapore, did not cost more than \$170, and with all the tariffs, duties, and mark-up, should not cost more than 5,500 dinars. They were being sold for 8,000 dinars, however, and we do not need to remind people that there were days when the lines in front of "duty-free" shops resembled scenes in Moscow. For the domestic producers, this was only a threatening act, and not a signal that the market was receptive and hungry, and that one only needed to know how to approach it.

Failure of the Import Operation

It turned out, however, that the secret is precisely in that skill, which a considerable part of Yugoslav industry, with rare exceptions, has not only never fully learned, but has not even begun to study. What free imports were supposed to "force" in the Yugoslav market, along with lower prices, was inducing the economy to carry out a more rapid restructuring of production and ownership. The elimination of the principle of supplying all types of production "with the necessary amount of money," which was supposed to induce economic entities to obtain money for development through privatization and the sale of enterprises, was supposed to be supplemented by the openness of the market, so that restructuring would begin in the context of those trends to which the economy was supposed to aspire, if it wanted to survive in the ranks of market economies. What happened, however, showed that there is a far stronger reflex to return to the safe waters of a protected market than to fight for a place in the new world. However, all the industries that felt threatened by imports soon obtained advocates in the form of their republic protectors, trade unions, and political factors. The demands for shutting off imports have already become official—last week the Serbian Republic Executive Council sent a

letter to the Federal Executive Council with its demands in connection with the macroeconomic policy for this year. That letter, supporting the trade union of workers in the textile, leather, and footwear industry, demanded, among other things, the introduction of a temporary measure to protect against "uncontrolled imports" of these finished products by increasing nontariff barriers, introducing quotas of an appropriate product range and quality, and introducing a requirement for approval of products being imported at dumping prices.

It has all been worked out already. In this case, neither the trade union nor the republic government is asking whether these same producers would have sold their products even if there had not been any "uncontrolled" imports; if they had, whether their financial results would have been better than they are in a situation with high illiquidity and growing burdens on the economy, resulting most of all from those same protectors; and whether imports are the only reason why industries have reduced production, since we know that in other sectors as well—equipment, for example—where imports were not as spectacular, production has also fallen. The claim that imports last year devastated domestic industry is therefore very dubious. The imports actually only revealed its vulnerability and its inability to face competition, even on its own ground. We do not even need to ask whether it is by chance that it was imports of consumer goods that increased to such an extent, as soon as all the controls were lifted from them, although not the "fiscal burdens." The question is superfluous, of course, if we take into account the fact that in previous years domestic products in that branch (specifically televisions, for example) achieved prices that were almost double those of equivalent products that could have been purchased across the border, but not imported. Moreover, they did not have double the quality. Forgetting those times, people are losing sight of the fact that such an industry will not be shaken by imports that border on a shock, but by much smaller imports. If we consider the examples of other household appliances, we will see that although their imports were far lower (for almost a million refrigerators, a little over 31,000 were imported; for 443,500 washing machines, 63,000 were imported; for 441,000 dryers produced, about 207,000 were imported; and for 510,000 electric stoves, about 7,000 were imported; nevertheless, the production of all of these products declined by 3 to 14 percent). Let us also recall the "unregulated" imports of automobiles into Croatia, when after the reduction of only one item in the taxes (the sales tax), about 10,000 automobiles were sold in a few days, cheaper and certainly of better quality than domestic ones in the same class. Let us also take an opposing example, however: Imports of automobile tires were also being freely imported, but last year only about 2,100 tires were imported, which is only 9 percent of domestic production. These producers did not complain about imports, because they export 58 percent of their production to what are today safe markets: the developed countries.

Industry did not pass the first test of serious competition to which it was subjected by the government program, but it must be said that it did not make much of an effort. On the contrary, its demands were aimed primarily at reducing liberalized imports, and less at the factors that prevented it from entering the market competition in a logical way—by reducing costs. It turned out in the case of this reaction to imports as well that Yugoslav industry does not know how to function under conditions in which a daily struggle to reduce costs, even by marginal amounts, is the principle for survival. The causes of that inability will have to be addressed in another discussion.

Problematic NBJ Debt to Lju-Bank in Zagreb

*91BA0342B Belgrade BORBA in Serbo-Croatian
20 Feb 91 p 6*

[Article by Vesna Djordjevic: "Depositors Suffer in Dispute Between Zagreb's Ljubljanska Bank and NBJ [National Bank of Yugoslavia]: Polka-Dot Foreign Exchange"—first paragraph is BORBA introduction]

[Text] The NBJ [National Bank of Yugoslavia] debt to Lju-Banka in Zagreb in December came to \$43.6 million. The daily inflow of foreign exchange arriving from the NBJ is inadequate to meet depositor needs.

There is no end in sight to the agony of foreign exchange depositor at Lju-Banka in Croatia, which has been going on for two months. This month's reality is that depositors are allowed to withdraw 200 German marks [DM] or the dinar equivalent of DM1,000 from their accounts per week. However, this possibility is more theoretical than practical. Because in order to get at that prescribed minimum portion of their foreign exchange savings, citizens need—besides the acrobatic ability to cope with crowds at the teller windows that defy description—a lot of nerve. Regardless of the fact that \$275,000 arrives at the main branch of Lju-Banka in Zagreb each day, that amount is not nearly enough to meet the demands of all the people who want to get at their foreign exchange.

In an effort to eliminate the crowds at the teller windows, Lju-Banka officials began handing out numbers from a waiting list. Since this was not much help to those who urgently needed foreign exchange for medical treatment abroad, for buying medicine, etc., they attempted to find a solution in the form of a committee that would decide on urgent demands. As could be expected, however, the work of this committee proved to be utterly inefficient because the demands were significantly more numerous than the quota of foreign exchange arriving each day. The entire procedure has now moved back to square one, meaning that citizens who want to withdraw money have two options: either wait in line or make an appointment for a specific day.

How long will this game of cat and mouse between Lju-Banka and its depositors last? At the Zagreb branch of the bank, the response is that a more auspicious outcome should not be hoped for until the NBJ squares its debt with Lju-Banka, which in December amounted

to \$43.6 million. The NBYJ has also been sued over the matter, because the central bank has not fulfilled its obligation to compensate business banks for the drop in foreign exchange savings, inasmuch as before the end of 1988 they had to buy and sell all foreign exchange through the NBJ. At the time, banks did not complain about that obligation, because ultimately that "business" with the NBJ paid off, since they received liquid credits on the deposited foreign exchange. In the meantime, inflation has taken its toll, and Lju-Banka today receives credits for its deposited foreign exchange amounting to 0.01 percent.

Moreover, the Zagreb branch of this Slovene bank is stubbornly reiterating that in the past three months of last year and the first month of this year, Zagreb citizens have withdrawn \$90 million from their savings accounts, which comes to a daily average of around \$2.5 million, and not even a much "stronger" bank than Ljubljanska could sustain this. For this reason, the bank contends, there is clear support for all the stories about the plunder of Croatian depositors by Slovenia, which as a hit topic has received a decent amount of coverage in this republic's media.

However, upset depositors are not interested in the search for the active culprit in Lju-Banka-NBJ relations. Many of them cannot believe that depositors to the "most businesslike" bank in Croatia have been put in a situation where they cannot get at their own deposits of foreign exchange. In order to assert their right, which is, after all, guaranteed by the Federation and the NBJ, bankruptcy proceedings must first be carried out at Lju-Banka. Knowing the lethargy of our economic legislation and administration of justice, everyone knows that creditors will have to wait at least a year for settlement of their claims.

Lju-Banka realized too late that playing with the confidence of its depositors comes back to any bank like a boomerang. The decline in the good standing of this bank, which based its business transactions on the soundest capital—the savings deposits of citizens—reflects negatively on all its business. There is also a discernible decrease in dinar deposits, and foreign business dealings have become questionable. Thus, it comes as no surprise that it was the only name on a list of insolvent banks in Croatia drawn up by the National Bank of Croatia.

Vice Governor on National Bank Credibility

91BA0325B Belgrade EKONOMSKA POLITIKA
in Serbo-Croatian 11 Feb 91 pp 23-24

[Interview with Mitja Gaspari, vice governor of the National Bank of Yugoslavia, by Vladimir Grlickov; place and date not given: "The Credibility of the National Bank of Yugoslavia"]

[Text] The raids on the monetary system, regardless of whether the National Bank of Yugoslavia [NBJ] participated in them, nevertheless diminish its reputation. The

very fact that this happened without its knowledge is a sign that the situation is out of control, with unfavorable monetary trends occurring. Nevertheless, the causes of raids on the monetary system, which are unconstitutional and illegal, are of a deeper nature. The political situation and the disunity of Yugoslavia constitute a milieu which in this sphere allows a typical real-socialism attitude toward money (it is taken as needed, in accordance with a sort of self-service principle).

Our interlocutor, Mitja Gaspari, the vice governor of the NBJ, is among those people who see the (root) causes of the disruptions in the very program of the federal government, because the entire area of fiscal policy and the fiscal system remained unsettled (the budget did not indicate the sources for servicing foreign exchange savings and separating the monetary and fiscal spheres). That is why Gaspari began our conversation with an analysis of the failure to ensure the prerequisites for successful implementation of the program back when it had begun to be carried out.

[Gaspari] I would like to start with the end of 1989, when the stabilization program was initiated and accepted. That program was aimed not only at solving the problem of high inflation in Yugoslavia, but also separating the NBJ from functions that do not belong to it under normal circumstances. This has to do with the para-fiscal functions that the NBJ performs by using the primary issue, and that it was supposed to abandon through the stabilization program and the decision on monetary and fiscal policy that was adopted by the Yugoslav Assembly. This was supposed to be the beginning of the separation of the NBJ's monetary functions from its fiscal ones, and the beginning of its independence, with its basic task remaining the normal one in a market situation: taking care of the stability of the national currency, and subordinating all functions in monetary policy to that goal.

Naturally, there were also other important elements of the program, such as the fixed exchange rate of the dinar and a transparent fiscal policy ensuring a certain surplus in this area (higher revenues than expenditures). Wage policy was also supposed to be coordinated with that stabilization policy.

[Grlickov] Financial discipline, naturally, was assumed when the program began, and it was not assumed that disruptions could occur there.

[Gaspari] It was assumed that our system's "cancerous wound," which is called financial discipline, would finally be healed. I am thinking of financial discipline from the top of the pyramid down, from the federal budget, where expenditure was supposed to be matched to the available real revenues, through the NBJ and the national banks, business banks, all the way down to economic organizations. Furthermore, things were supposed to be eased financially for banks through financial rehabilitation, to make it possible for them to reduce interest rates and the expected inflation.

[Grlickov] Everything, however, has remained in the realm of beautiful wishes, because little of that program was achieved in 1990. You are one of the rare people who assert that the roots of the failure existed even when some results were present (in the first half of the year).

[Gaspari] A lot of it began to be achieved in the first half of 1990 through the policy of the fixed exchange rate and the restrictive monetary and credit policy. It was clear even then, however, that those responsible for economic policy were not really clear about what the severe program adopted meant, and what other measures should be adopted and carried out in order for it to be successful. This was a question of measures for financial discipline, and then for restructuring the financial system (the banks) and economic organizations. It was shown even at the beginning of the year that the fiscal sector was not following the logic of the program at all, whereas the situation was somewhat more favorable with respect to wages, because monetary policy was restrictive. It was clear, however, that that goal would soon be undermined if something was not done with the latter (monetary policy).

The conditions for what happened later in the form of raids on the monetary system were created as early as the beginning of the year. The primary causes of that lie in the inadequate conduct of the fiscal system, because there were large expenditures, not just in the republics, but also at the federal level.

[Grlickov] You are talking about the time when one could still speak of the failure to overcome the "principles" of a socialist attitude toward money and financial resources.

[Gaspari] In that respect, I would agree with those who designate the entire Yugoslav crisis at this time as a reflection of state interventionism through the monetary sector, and the inadequate assumption of monetary functions—and, on the other hand, of desires to liberalize the economy and free it from politics.

The quasi-socialist outlook in business activity has not been interrupted. Onto a poorly restructured and unprivatized economy, we "grafted" a stabilization program that nevertheless essentially required market-oriented behavior by economic entities. That is why the results of the program in the first half of 1990 can be considered exceptional, taking into account the unfavorable conditions in which it was carried out.

[Grlickov] We are coming to the subject of the relationship between fiscal and monetary policy, especially with respect to servicing foreign exchange savings.

[Gaspari] A different concept of foreign exchange savings did not arise with the convertibility of the dinar. We introduced the rule of the free purchase and sale of foreign exchange for dinars, but forgot that there is \$11.5 billion in state obligations under the heading of foreign exchange savings. That area has remained unsettled, especially if one considers the fact that over 40 percent of

the foreign exchange savings is not in term deposits (on sight), and that represents a potential "bomb" in the system that could explode, at a time when the program is losing a little of its credibility (it is normal for every program to lose some of its strength after its culmination). And it did happen that the fuse of that bomb began to burn when it was seen that the fiscal sector (the budget) was not capable, from real sources, of assuming obligations related to foreign exchange savings (the public debt), and when the program began to lose its credibility.

[Grlickov] You are seeking the causes of the disruptions in the failure to ensure sources in the budget for servicing the public debt. That view differs from the one according to which everything started with political disunity and the halt in the transfer of revenues by the republics into the federal budget.

[Gaspari] I think that the violation of financial discipline occurred in the second phase. Then the situation deteriorated even further, liquidity was poorer, and the monetary "shock" in July, August, and September only concealed the real situation, ensuring that banks would again behave inadequately and give loans to bad debtors, loans which mainly went for wages and final consumption (imports).

Furthermore, the expected "package" that was supposed to establish control in public consumption and in the wage sector was absent. That made the liquidity of banks and the economy even worse, and the "crown" of it all was the well-known political disagreements and the lack of financial discipline, which even further prevented the federal budget from properly servicing its obligations, including those based on public debt (foreign exchange savings).

There have been elections, and the republics' financial independence as a consequence; the outflow of funds from the federal budget followed. The deficit in the fiscal sector (the budget) increased even further, there were no real sources, and consequently the pressure on the banks, from both the economy and citizens, became more severe. What happened in the end was that the monetary restrictions in September have been shown to be inappropriate.

[Grlickov] It follows that the monetary restrictions, in an unfavorable general situation, were counterproductive, and so then the raids on the monetary system can be justified.

[Gaspari] That variety of problems, along with the restrictions, aggravated the situation even more, especially in the areas with the worst economic situation. The situation in Serbia had been worse ever since the spring, because of the big promises that had been made—which, naturally, was not something that only happened there. When all of the bank sources were exhausted, when all the amortization and capital accumulation went for wages, when the fiscal sources had been spent—then the raid on the monetary system occurred, quite logically. I

would agree with Ivan Ribnikar, who considers this to be the extreme consequence of an economic system that called itself self-management and in which social ownership was dominant.

In this regard, I must mention that several economists, including Veljko Bole and myself, warned even earlier about the excessively low liquidity in the economy that occurred through the excessive draining of money by fiscal policy during the first half of the year, so that in the second half of the year the continuation of these (fiscal and monetary policy), along with the abnormal growth of wages, led to complete destruction and collapse of liquidity and the system of payment. We have reached the brink of a complete collapse of the system, and it will be very difficult to restore minimal credibility to the institutions of the financial system, so that they could even begin any serious restructuring of the banks and the economy.

It is a mistake to think that in our circumstances, a policy of low liquidity can speed up the process of restructuring the banks and the economy. It has been shown that an overrestrictive monetary policy has a harmful effect, and that in an unfavorable milieu it does not contribute to rational restructuring. Liquidity has been disrupted to such an extent that today it is truly difficult to get an insight into who could even be considered for restructuring.

[Grlickov] You are talking about the harmful consequences of an overrestrictive monetary policy. The subject of our conversation, however, is the question of what has happened to the credibility of the NBJ after the raids on the monetary system, and the unfavorable monetary trends that arose because of them, among other reasons.

[Gaspari] I explained the logic that led to the raids on the monetary system. And as far as the NBJ's credibility is concerned, I can say for the governor and myself that we knew nothing about what Serbia was formally and legally preparing. We could not know, since it was prepared in secret. Naturally, the question can be raised, as in the case of major traffic accidents, whether the transportation minister shares the responsibility, even if indirectly, for what has happened. Thus, in this case as well, the NBJ and monetary policy did not succeed in creating the mechanism necessary to protect against raids on the monetary system, that is, we are also left with some sort of moral responsibility for everything that happened.

[Grlickov] Do the proposed changes in the law on the NBJ and uniform operation by the national banks of the republics represent a reaction, even if a belated one, to those raids on the monetary system, or is there a real desire to do something serious in the system?

[Gaspari] Without major changes in the law on the NBJ and uniform monetary operation by the national banks, in the future we will not be able to speak of a monetary system that someone would still believe in. That system had to be an important element in any discussions of the Yugoslav system. There cannot be any Yugoslavia if this

problem of the credibility of the monetary system and its institutions is not solved in principle in such a way that all those who want to be in it are convinced that the central bank can function as an independent institution, whose only purpose is defending the stability of the domestic currency.

I think that the proposed amendments to the law are insufficient, and actually mean only a short-term fire-extinguishing action. They are based on the situation we have found ourselves in, without even a slightly objective awareness of what led to such behavior by the banks and the republic national banks. If we say that payment transactions should be centralized at the level of the NBJ, that the governor has to have greater authority in adopting measures with respect to the national banks and in oversight—three problems have to be looked at before that. First of all, it is necessary to determine the basic goals and tasks of the central bank: The problem has remained completely open. In my opinion, it should be clearly defined that the purpose of the central bank is to take care of the stability of the domestic currency. Decisions on achieving that goal should not be made by the Yugoslav Assembly, but rather by the central bank's board of governors. It determines policy and is directly responsible to the Assembly or to the Federal Executive Council—to whom it does not matter. Furthermore, implementation of that policy would not be the responsibility of the board of governors, but rather the responsibility of an executive board formed by the central bank's leadership (the governor and vice governors); the executive board would be responsible to the board of governors. Those bodies would be elected for a longer period than usual parliamentary terms last. No one would have the right to replace those individuals, unless they have committed some crime. That would make those individuals independent of the influence of politics and political circles.

Along with all of this it is essential, in my opinion, to conduct an outside audit of the balances of the central bank and the national banks. In this regard, I support the organization of the national banks, because a federal country, if it wants to remain one, has to take that into account. Other countries that have a stable currency also have such an organization, and after all, that is also taken into account in the EC.

[Grlickov] Are independent accounts for the central banks planned in the EC?

[Gaspari] It is not essential whether they have their own accounts; that is a technical issue. It is just that it is perhaps more efficient to have the primary issue of money released through the accounts of the central banks, which are merged into one joint account at the NBJ. All payment transactions would flow through that joint account, and not through the current account and the SDK [Public Auditing Service], as they do now.

[Grlickov] You are proposing an outside audit, which has not been done to date, at least for the balances of the

NBJ and the national banks. Furthermore, the proposal has not yet been officially made, but there are already criticisms that it (the audit) is unnecessary.

[Gaspari] The national banks' balances, as well as the budgets, must be subjected to an outside audit by an independent state service at least once a year, just as the EC intends to do. The audit report would be attached to the final account from the NBJ and the republic national banks.

[Grlickov] Naturally, the NBJ's credibility does not depend only on whether an outside independent audit of

the balances exists. Among other things, there is also the "minor" issue of whether personnel are equipped to maintain that credibility.

[Gaspari] If we want to have a National Bank with credibility, as an institution that people have confidence in, and if we want it to remain in Belgrade, then adjustments of the composition of personnel are necessary. It is necessary to take into account expertise, and in our situation, ethnic composition as well. Some essential ratios in that regard have been disrupted here. I am not saying that anyone does not want to be objective in his work, but the situation is such that when people are primarily from one area and mentality, then, objectively speaking, the institution acquires the attributes of that area and its interests.